

**THE IMPACT OF THE MICRO-FINANCE ON INDIAN ECONOMY: A CASE STUDY OF TATA, INDIA****Biplab Saha****Ph.D. Research Scholar, Department of Commerce****University Of Kalyani****ABSTRACT**

*Entitled 'The impact of the micro-finance on Indian economy: a case study of Tata, India' deals with the basic concept of the microfinance activity and its impact on the Indian economy. The researcher in this particular research has chosen a well established and very popular company of India and as well as world TATA India to complete the research procedure. The researcher suggest that the microfinance movement makes a very important impact on the rural development and as well as the Indian economy. The researcher uses various kinds of report chart, financial statement and economical survey report to complete the research procedure. The rural development was supposed to be an inevitable movement and therefore various self help groups started this micro finance movement. NABARD is the renowned name here and TATA has cooperated and accompanied in the evolution of the programme in order to undertake various improvement that helped rural India to go ahead with more enlightenment and adequacy.*

*The researcher has chosen the TATA India Company who applies the microfinance concept and procedure during their whole journey. The researcher suggests that microfinance movement has started in India in late eighties. One of the most popular modes of delivering the microfinance in India is the Self Help Groups. The report has found that the organization in no sense is using the TATA salt as the major instrument for reaching the people. The analysis of the TATA Company's financial statement will give a solid idea about the current topic and current issue. The researcher suggest that that among them some institutions are really very good in the terms of lending, training to their clients and the TATA India is one of the institutions.*

**Keywords:** Micro-Finance, TATA India, SHG, Impact, Indian Economy.

### Introduction

The expansion of the micro finance sectors in the Indian economy is based on the concept of the poor households who are affected by lack of financial services. The Indian government has taken various steps to abolish the poverty from the country since the independence. The Microfinance has been perceived as a one of the major alternative tool of giving the financial support and a stable life to the poor people in India (Chaudhury and Tarai, 2014 pp 142-247). The Community Based Organisations and the Non Government Organisations (NGOs) initiated the microfinance movement in India. The oldest microfinance organisation in the country is the Self Employed Women Association Bank which is very popular as SEWA Bank. The microfinance makes a solid impact in the Indian economy.

One of the most popular modes of delivering the microfinance in India is the Self Help Groups. The self help group is the very small economically standardized group which has not more than 20 persons of the rural poor people and they come together just for manually contribute to the common funds. It helps them to achieve their emergency meetings. The funds which are collected with the help of the collective contribution are mainly used to give the collateral free loans to the members of the group (Kotahwala and Glucklich, 2014, p.45).

According to Nair and Tankha (2010, p.152), the role of the microfinance is stipulation of the economy and parsimony, credit and other financial activity or services provide to the poor people in the rural, semi rural or the urban areas just because raised their income levels and giving them a stable-healthy life. The researcher suggested that the main and very important roles of the microfinance are the Credit to the rural poor, Poverty Alleviation, Women Empowerment, Economic growth, Mobilisations of the savings and many more. These elements of the microfinance make a very good impact on the economic growth of the country.

The TATA group of company is the one of the oldest company in Indian soil. The company started their business 80 years prior to the independence of India. In the year 1868, the company started their journey with the help of Jamshedji Tata. The TATA group is the global enterprise which has headquarters in Mumbai, India. The TATA global enterprise is comprised over the hundreds operating companies around the world. The TATA group is the one of the most popular business multinational and with the passage of time it has been able to acquire the image of been one of the major and respected business group. The TATA Company has the huge number of employees all over the world (Tatamotors.com, 2015).

Hypothesis of the paper:

**H<sub>0</sub>**- The Micro-finance does not make any impact on the Indian Economy

**H<sub>1</sub>**- The Micro-finance makes an important impact on the Indian Economy

### Impact of the Micro-finance on the Indian economy in the case of TATA India

The Microfinance is very much popular as a tool of the socio-economic of any country. There are mainly ten features of the microfinance and these are as follows. The researcher suggests that the microfinance

is very much essential for the purpose of the rural finance. The microfinance mainly deals with the small loans and it basically caters to the poor households. According to Nair and Tankha (2010, p.120), the microfinance is the one of the most effective and warranted poverty alleviation strategies.

The TATA Company use this microfinance strategic tool to make a solid impact on the Indian economy and the Indian social, cultural environment. Another main feature of the microfinance is that it supports a lot women participate in the electronic activity. The India, there are several institution which provides microfinance and these are NABARD (National Bank for Agricultural and Rural Development), SIDBI (Small Industries Development Bank of India), Commercial bank, Regional Rural bank of India and many more.

The microfinance movement in India can be divided into the two phrases. The first phase of this microfinance movement, it was found that the non-government organisation and CBOs took the initiative and they merge themselves and make a group. They nurtured with the Self help groups and provided the micro credit to the poor people from the rural areas in India. The Community Based Organisations and the Non Government Organisations (NGOs) started this microfinance movement in India and then simultaneously many organisations join them. According to Narayana (2012, p.120), the oldest microfinance organisation in the country is the Self Employed Women Association Bank which is very popular as SEWA Bank. The microfinance makes a solid impact in the Indian economy. One of the most popular modes of delivering the microfinance in India is the Self Help Groups.

Srinivasan (2012) opines that the microfinance is the provisions of the broad range of financial services and financial activities just like the deposits, loans, payments, money transfer and many more. The microfinance gives a big promise to generate the income and the employment in developing countries. All the microfinance institution (MFIs) of the country contributes at the every parts of the economy with the same strength. In respective to the TATA Company, their micro-finance strategy makes a solid impact on the Indian economy. Here is the table of the overall outreach of the MFIs for the last five years.

Year	No. Of MFIs	Number of (million)			Portfolio	Savings balance
		Members	Borrowers	Savers	Rs. Million	Rs. Million
2007-2008	169	8.20	6.97	2.62	26750	2121
2008-2009	223	14.10	11.87	2.79	59540	2434
2009-2010	291	21.13	18.62	2.94	85359	2781
2010-2011	358	25.14	21.49	3.09	124520	2845
2011-2012	421	29.27	25.78	3.18	148285	3015

The non-Government Organisations which is also known as a nonprofit organisation have been playing a very important and decent role to continue the microfinance movement in India (Christabell, 2012, p.24). The impact of the microfinance in the Indian economy can be carried out at the three different levels and these are the **household levels, enterprise level and individual level**.

Dey and Neogi (2012, p.444) uttered that the impact of the microfinance performance in the Indian economy should capture the changes in the household level due to the microfinance programme. Some good examples of the economic positions are the income, expenditure, asset position etc and these things may perhaps changed over the time and the main reason behind this is the increasing access of the households to the microfinance products and services. The change of the literacy, change of migration, changes of the gender equality, health and social care are some important aspects of the psycho-social changes in the household level. Microfinance programmes can make a solid impact on the microenterprise operations. It can play a crucial role on the changing trend of the profit, scale of the operations, changing of the diversifications and many more. It included the increasing trend of the microenterprise revenue and increase in the enterprise fixed assets. The enterprise level shows the increasing trend of the paid and unpaid employee of the enterprise.

According to Jayan (2014, p.346), the psycho-social changes can be veteran at the household level and the important changes are the increasing level of the household income. The greater diversification in the sources of the household income and the increasing trend of the assets of the company, which has included improvements of the housing, needs to be change. The researcher suggests that the increasing trend in the household applicants and the transport vehicles and the increasing in microenterprise fixed assets are psycho-social changes which can be experienced at the household level.

Sl. No.	Type of MFI	Number	Legal Registration
<b>Not for Profit</b>			
1	NGOs	450-550	Indian Trust Act, 1882
2	Non-Profit Companies	40	Indian Company Act, 1956; Sec 25
<b>Mutual Benefits MFIs</b>			
3	Mutual Benefit MFIs, Mutual Aided Co-operative Societies	250-350	Mutually Aided Co-operative Societies, Act enacted by the Stste Government
<b>For Profit MFIs</b>			
4	Non-Banking Financial Companies	60	RBI Act 1934, Indian Company Act 1956

In case of the microfinance in Indian economics, the effective microfinance programs convey a positive change in the individual level (Joseph, 2012, p.189). In we look back in the late 90's we can observed that the Integrated Rural Development Programme (IRDP), has started in Indian economy form 1980.

The microfinance makes a very good impact on the economic growth of the country. The researcher suggested that the microfinance usually gives the financial support to the rural poor people. The TATA India uses this thing properly. As we all know that the rural sectors depends on the non-institutional agencies for financial support, the TATA India provide the credit to the rural sectors with the help of the microfinance. The economic survey report suggested that the TATA India invest in the rural sector this year 2.5% more than the last year.

### **Marketing strategy and tools of the TATA India**

TATA Company has applied various strategic tools to make their business procedure more successful. The company TATA group is India based company and one of the leading companies in the world. The TATA motor is world's fourth largest manufacturing of the medium and heavy vehicle and most importantly second largest bus manufacturing company. The 2009-10 finance report of the company suggests that the company earn decent revenue in the financial year and the amount is 20 billion dollar. In the year 2010, the TATA group of company has become India's first 1lakh brands in the goods commercial vehicles (Kumuda, 2012, p.4). This report shows that the company has raised their growth almost 20% more than the last year.

The TATA Company have divided their business into several categories to adapt some external strategy and to march forward in the business. The company use for most important strategic tools and these are the *Innovation in the service*, *Operational Excellence*, *Responsible Behaviour* and the most vital the *Restructuring initiatives*. These four are the most important strategic tools which the TATA group of company use to improve their business successfully (Tatamotors.com, 2015).

***Innovation in the Service:*** Vincent and Hariharasudhan (2012 p. 125) opined that every company needs to upgrade their business after some time gap. The TATA Company also give a deep notice on this particular issue and the researcher suggests that this is one of the major strategic tools of the company. The TATA Company launches 14 new products in the financial year 2012-13 with the majority in the automotive. The researcher says that the company give a deep notice on the single sales and the marketing function. At the same time they give a focus on the automotive, construction, lifting & excavating and the energy & power. The Project and the Portfolio management tools is another strategic tool which is also known as a 'Tracker' and it is very popular to develop the company's new product or the services. In January 2013, the company won the CA Technologies' Innovation award for the use of the 'Tracker' portfolio management tools (Surayya, 2012, p.18).

***Operational excellence tools:*** Ramu (2012, p.2) uttered that the operational excellence is another strategic tool which the company use to make a solid impact on the Indian economic. The TATA group of the company tried to implement a multi-year improvement programme in the steelwork. Once the

programme complete, the capacity of the liquid still will rise highly, it can be raise from 7.2 million tonnes to the 7.7 million tonnes.

TATA India launches various kinds of services which helps the poor people to survive. The *TATA Relief Committee* is one of the committee which provide relief to the disaster affected poor people. According to Subhashini (2012, p.31), there are during the natural climate there are mainly two phrase of assistance and these are the relief measure and the rehabilitees programs. This TATA Relief Committee plays a good role in the 2001 Gujarat earthquake. The relief group built more than 200 schools there within the next two years. TATA relief committee plays a major role in the Odissa flood in the year 1999. Even after the Tsunami, the TATA relief committee reached the palace immediately and provide requirements.

The TSMG (Tata Strategic Management Group) was founded in the year 1991. This group mainly operated exclusively in the strategy specification and it mostly worked with the TATA group of companies. At present, TSMG is spread over several industries and it has a huge amount of client, not just in India also around the world (Christabell, 2012, p.23).

**Integrating IT:** The current technology solutions are not the sufficiently meeting the microfinance needs. The CGAP surveys suggest that the only 37.5% of the Indian microfinance managers are very contented with their current information systems reflects this particular weakness (Dey and Neogi, 2012, p.445). The researchers identify various reasons behind this particular issue and one of the main reasons behind this is an inability on behalf of Microfinance.

TATA's business competes mainly on the basis of their available substantial and the intangible possessions and the skills. Researcher suggests that the skill resources are in the essences of the group's core competences. The TATA group of company tried to developing their skill and resources of their core strategies. The company tried to meet the challenges of the external environment which are somehow similar to the proportions of the business superiority. Murthy (2012, p.2) opines that the proportions of the company related to the pattern in the progression of the strategic actions which are adopted by the company. Expending globally is the one of the main and very important strategy of the company.

Former chairman of the TATA India, Mr. Ratan Tata suggested that the TATA group's strategy to enter into the overseas market in the main and ultimate goal of the company (Tatamotors.com, 2015). The researcher suggests that there is no doubt in that the TATA group of company or the TATA India is very much packed with the tangible and the intangible both types of the resources. With the help of these both resources the company are able to perform at the highest level of survive.

## Discussion

From the above discussion the researcher observed so many issues regarding the micro finance. The micro finance institutions are lagging behind in the terms of the loan and the credit to the rural people. Although the TATA India Company facing some problems regarding the microfinance. Lerpold (2011, p.120) opines that the low depth of the Outreach is the one of the major challenges or drawback of this

microfinance. Although the outreach of the programme is increasing, the large number of the people is providing with the microfinance services but the amount of loans is very small. In the current scenario, there are so many micro lending institutions and organisations are working in India. The researcher suggest that that among them some institutions are really very good in the terms of lending, training to their clients and the TATA India is one of the institutions (Murthy, 2012, p.2).

TATA while planning the microfinance in the imminent years could have removed the tax plans and the loan distribution on the costing of the seed costs may be free. In 2010-12 session, the country had witnessed the death of around 14, 214 people only for the burden of the interest in the small rural banks. The banks which TATA give aids could explore the opportunity of minimizing the level of the interest. On the consumption of seeds and the technological requirements for agriculture, the company could have advised interest-free loan which complies with the expectation of the Government (Subhashini, (2012, p.20).

#### **Recommendations:**

TATA group of company, India as the part of their CSR using the microfinance as the major instrument for reaching the poor people of the country. Their investment in the microfinance part for aiding the people of the country had been around 14% of their budget for the last few years. The company in recent situation has observed that the poor peasants of the country need the help of the small banks and owing to the concept and the idea of Yunus, they are trying to lend their hands. At this juncture, the company is even having some challenges which are to be surmounted for the benefit of the organization itself.

The report has found that the organization in no sense is using the TATA salt as the major instrument for reaching the people. TATA Namak, '*Desh ka Namak*' concept has not been implemented in proper manner. Under the leadership of former Prime Minister Manmohan Singh, the micro finance industry of the country got boosted and aiding the rural banks, TATA played a major role. In 2008-09 sessions, the Southern part of the country got the benefit of their involvement and small banking sectors of the villages had passed through the essence of growth. The people who were connected with the production circle of the company though got the dexterity of their micro finance plans, those who were not related to them were being deprived of it. TATA, as one of the most socially responsible company in the country should not discriminate between the employees and the non-employees while doling out such programs in the rural part of the state.

On the other side, the micro-finance effort of the Governmental banks is not very much clear to the people who are supposed to use it. TATA could have utilized their campaign mechanism to make the people understood regarding the facilities provided by them and the Government so that they could knock the proper place for further help. In the time of flood and any natural disaster, the amount of dole out should be increased at least by 15%. The experience of the people regarding the rural banks is not good enough and in this circumstance, the people are expected to change their way to the Mahajans. The campaign and the awareness program arranged by TATA could help them out from such crises situation.

**Conclusion**

The framework of Information and Communication technology (ICT) for the benefit of the channels would also be beneficial for the people. The last survey has shown that 82.4% of Indian people use mobile phones and the accessibility to television is much high. At this condition, the people even are adequately informed regarding the condition of the micro-finance, they would indulge into the process for achieving the benefits. ICT project of TATA has been helpful in their health campaigns and along with the Government of the Country, they could definitely formulate newer strategies to reach the people of different social sections. The expenses of TATA in their ICT for poor people also need to be increased.



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