



Special Issue - Innovative Commerce: Bridging Business and Computer Applications (ICBBCA-2026)

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A STUDY ON ROLE OF MICROFINANCE AND FINANCIAL INCLUSION IN MADURAI CI

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Abstract

Microfinance has emerged as an important instrument for promoting financial inclusion, particularly among low-income and underserved sections of society. Financial inclusion aims to ensure access to essential financial services such as savings, credit, insurance, and remittance facilities at affordable costs. In India, microfinance institutions and small finance banks play a crucial role in bridging the gap between formal financial systems and economically weaker groups. The present study focuses on analyzing the role of microfinance in enhancing financial inclusion, with special reference to Madurai city and Equitas Small Finance Bank. The study is descriptive and analytical in nature and is based entirely on secondary data collected from RBI and NABARD reports, Equitas Small Finance Bank

annual reports, government publications, and research journals.

Keywords: Loan size, Repayment rate, Women beneficiaries, Income growth, and Microfinance services.

Introduction

Financial inclusion has become a key development priority in both developing and emerging economies. It refers to the process of ensuring access to affordable and appropriate financial services such as savings, credit, insurance, and payment systems for all sections of society, especially the economically weaker and marginalized groups. In India, a large portion of the population, particularly in rural and semi-urban areas, has traditionally remained outside the formal banking system due to poverty, lack of awareness, and rigid banking procedures. Microfinance plays a



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vital role in promoting financial inclusion by providing small-scale financial services to low-income individuals who do not have access to conventional banking facilities. Microfinance institutions (MFIs) and Small Finance Banks offer micro-credit, savings facilities, insurance, and other financial products tailored to the needs of self-employed persons, women, and small entrepreneurs. These services help beneficiaries improve their income levels, generate employment, and enhance their standard of living.

Statement of the Problem

Despite the rapid expansion of India's banking sector, a large segment of the population— particularly low-income groups, women, and workers in the informal sector— continues to remain outside the formal financial system. Barriers such as limited financial awareness, complex banking procedures, lack of collateral, and irregular income prevent these groups from accessing institutional credit, forcing many to rely on informal moneylenders who often charge very high interest rates.

Objectives of the Study

- To study the concept and growth of microfinance and financial inclusion in India.
- To analyze the role of microfinance institutions in promoting financial

inclusion among low-income groups. To examine the contribution of Equitas Small Finance Bank to extend microfinance services in Madurai city.

Research Methodology

The methodology adopted for the present study on the role of microfinance in financial inclusion with special reference to Madurai city is explained below.

Sources of Data

The study is based entirely on secondary data. The required data has been collected from the following sources:

- ❖ Reserve Bank of India (RBI) reports
- ❖ NABARD publications
- ❖ Equitas Small Finance Bank annual reports
- ❖ Government of India publications
- ❖ Research journals, books, and websites related to microfinance and financial inclusion.

Table 1

Purpose	No. of Respondents	Percentage (%)
Small Business/ Trade	40	40%
Education of Children	20	20%
Medical Needs	15	15%
Housing Improvement	10	10%
Consumption	15	15%
Total	100	100%

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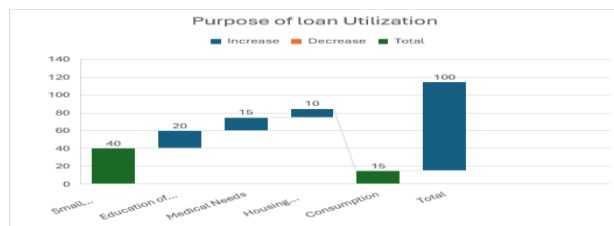
Sources: Secondary Data

Interpretation

Most loans (40%) were used for income-generating activities like small businesses and trade, showing that microfinance contributes to self-employment and entrepreneurship.

Purpose of Loan Utilization

Chart:



Interpretation

- Most beneficiaries (75%) are regular in repayment, showing that microfinance loans are sustainable, though a small portion still face repayment challenges.
- The secondary data on repayment status has been collected from NABARD Annual Reports, Microfinance Institutions Network (MFIN) publications, RBI's Trend and Progress Reports, and Sa-Dhan microfinance studies.

Findings of the Study

- A strong majority of beneficiaries (75%) repay loans regularly, indicating good repayment discipline and suggesting that microfinance lending is generally reliable and sustainable.
- Only a small proportion (5%) default, while 20% face occasional delays, showing that although most borrowers manage repayment well, some still experience financial or income-stability challenges.

Conclusion

Microfinance has emerged as a powerful instrument for promoting financial inclusion and inclusive economic growth in India. By providing small-scale financial services to low-income households, women, and self-employed individuals, microfinance institutions have successfully bridged the gap between the formal banking system and the financially excluded population.

References

1. The official website of the Reserve Bank of India (RBI) provides detailed information on banking regulations, monetary policies, and financial inclusion initiatives. Available at: <https://www.rbi.org.in>
2. The National Bank for Agriculture and Rural Development (NABARD) website offers resources related to rural



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development, microfinance, and agricultural credit systems. Available at: <https://www.nabard.org>

3. Information regarding financial policies, economic reforms, and government financial programs can be accessed through the Ministry of Finance, Government of India official portal.
4. The website of Equitas Small Finance Bank provides insights into banking services, financial inclusion programs, and microfinance activities. Available at: <https://www.equitasbank.com>
5. The World Bank website contains global research and reports on financial inclusion, microfinance, and economic development initiatives. Available at: <https://www.worldbank.org>