

General and Privatized Sector Micro-Finance institutions: A Qualified Study of Selected Companies

Research Scholar: Santosh M Sunkapur
Research Supervisor: Dr. Neeraj Chaudhry

- Abstract

Microfinance in Ivory Coast is dominated by macroeconomics in relation to the informal sector, by informal sector we define sellers in small markets, fairs; we see that small traders sell products and earn profits but they keep this money at home what is called in economics treasurer, this means that take profits from capital and keep on either or at home and no one can benefit from it, therefore the level of overall savings in Ivory Coast is very low, savings therefore means investment because the gain collected from the investment therefore makes it possible to lend to other companies to invest so we have a global credit problem in ivory coast so how can we solve this problem, the answer that emerges to this question is microfinance.

- **Introduction**

Microfinance: it is giving small loans to individuals or companies in difficulty, and this business is organized by microfinance institutes, it will therefore be necessary to remember that microfinance has several approaches, it is therefore a question of finding a way to lend money to the poor, under these conditions what should be done, the confidence to repay the loan money within a reasonable time by carrying out a credibility study and analysis, but at the level of microfinance in Ivory Coast, we are dealing with the poor, how can we analyze this credibility, the idea that emerges from this is that microfinance prefers to lend money to groups of people or NGOs in order to be able to repay the loan as soon as possible at a rate that could suit the purchaser, theoretically there is the transfer of risk from the bank to the individuals who borrow this money, this implies that it is usual for the bank to put pressure on the individual or group of individuals who requested the credit so that they repay the credit in microfinance. We are talking about group or individual credit; it is up to the members of the group who have borrowed the money to repay each week or each month.

Objectives of microfinance

From the general point of view, we can mention that the reduction of poverty is the main source of motivation of microfinance. The overriding objective is to bring poor populations, who very often cannot take credit with commercial banks and financial services for lack of means, to take out loans and repay them within a reasonable time. The founder of Grameen Bank, Mr. Muhammed Yunus from Bangladesh, who won the Nobel Peace Prize in 2006, is the designer and initiator of microfinance, so he created the concept that disadvantaged people should take loans through a conventional banking system, and save to repay. It states that microfinance can help millions of people who suffer from poverty in the world; well this strategy will allow them to being more independent also social success. Microfinance also seeks to solve the financing problems of young people and NGOs without forgetting also small businesses. All this financing acquired is the work of an economic strategy to limit poverty and boost the Ivory Coast economy.

Advantages of microfinance in this part, we are showing the benefits and the importance of microfinance institutions in Africa countries precisely in Ivory Coast. what is the role of microfinance institution to reduce poverty and increase the national economy and financial performance to satisfy the population in under developed country? Benefits of microfinance Microfinance can be considered as microcredit that can help small and medium-sized enterprises, as well as individuals, to support themselves financially and socially. These effectively participate in the economy of their business in a sustainable way. Microfinance galvanizes start-ups and entrepreneurs by giving them the necessary tools they need to start a profitable small business. It also makes it easier for individuals to use their economy for primary needs such as the installation of electricity and other needs if necessary for the creation of an income-generating activity; with the participation of microfinance, small and medium-sized enterprises can set up their projects for a long time wishes.

Microfinance brings financial security, galloping economic growth and business opportunities. Here are the advantages among many other : • Access to earnings Legal or natural persons do not very often obtain loans from large commercial banks. Microfinance loans are available if they request them to boost the income of their activities. It is often hard to see that many entrepreneurs have difficult to identify themselves or to find a certification to appropriate a

financial loan from so-called commercial banks and microfinance comes to their aid by granting them adequate financial assistance with a view to repaying them in the short and long term. • The offer has a better refund rate Microfinance provides financial assistance to natural or legal persons who have a future project in order to participate in the economic development of their nation or their region and to repay their loans granted by the microfinance institution within a reasonable time, proof of the granting of financial loans estimated at several million (CFA francs) to the entrepreneurial and dynamic women, this policy aims to give work also to young people in order to put an end to unemployment. Loan repayment can be made weekly, monthly or per semester, sometimes even per year. • Facilitate access to education opportunities In Africa, more precisely in Ivory Coast in the rural area, many families depend on agriculture and traditional fishing for their income, and this standard of living negatively affects the school life of their children, this being the parents. They cannot invest a lot of money in the education of their children, in such a dramatic situation, microfinance can find a fund to help parents during the start of the school year and repay little by little.

The granting of loans for future investments Very often in the village or in rural areas, the lack of financial resources negatively affects the activities of small and medium-sized enterprises which are looking for available financial resources to meet their basic needs, this deficit in terms of financial resources can nevertheless affect negatively their financial need, microfinance has the major role here of reducing the obstacles and helping them to optimize. When all the requirements of a small and medium-sized business are implemented then future possibilities can increase effectively and monetize the income of these businesses. The creation of job opportunities.

The micro financing of local and regional businesses promotes the creation of job offers in all areas of activity. These companies can hire young job seekers and give them the chance to discover the world of work. This opportunity can in a broader sense curb unemployment, banditry and poverty. • Reduction of the financial burden of legal persons Microfinance institutions can help legal persons and gradually reduce monetary type problems by offering them financial services that will allow them to meet their internal needs, for instance we can talk

about monthly bills, etc. Thanks to the satisfaction of the sum of money received by these companies, they are more dedicated to work more to achieve the goals, set in the short term and also foresee the needs in the long term. Microfinance is an enriching factor and even a source because it is committed to making entrepreneurial activities more peaceful and less and less stressful.

1.4. Disadvantages of microfinance

Now, we are talk about the demerits and the limits of microfinance institutions to solve poverty issues, the level of the life of young peoples. In short word, what is the negatives aspects of the microfinance institutions missions in Ivory Coast. We can write down:

- The requirement of an uncomfortable reimbursement method

Microfinance companies use a repayment method that often does not respect the terms of the contract. The contract for granting credit to clients is often not well known by the small businesses that come to ask for loans and the microfinance company manipulates its clients by threats and sanctions when they fail to repay on time so the loan granted by microfinance institution.

- Microfinance gives small loan amounts for a high rate

Microfinance companies grant small sums of money to individuals and women's associations, that is to say NGOs, not to mention small and mediumsized enterprises, unlike other financial institutions which grant large sums of money so that the companies can achieve their goal. When the microfinances institutions give the loans to their clients, these clients pay the loans with a high rate, it's often uncomfortable.

- Exorbitant and high interest rate

All microfinance companies grant loans to small and medium enterprises at a very high repayment rate therefore these companies sometimes fail to repay the credit and it becomes a debt. One of the main drawbacks is that they can be more expensive than traditional bank loans. In fact, microcredit institutions often charge higher fees and interest rates than banks. Microfinance shows well its limits at the level of credit, indeed micro-credit is practical' today as a small bank that grants loans and they must be replayed necessarily. It is therefore useful for the borrower the ability to repay the loan as soon as possible so that others can use this loan to set up their business. It turns out rather that this fails to pay back the loan and the institution falls bankrupt.

1.5. features of microfinance institution. Borrowers are typically from low-income families. Microfinance loans are often tiny in size. For example, micro loans. The loan term is limited. No collateral is required for microfinance loans. These loans are often repaid at greater intervals. The majority of microfinance loans are intended to generate revenue.

Microfinance institution in Ivory Coast In this chapter, we can talk about the history of microfinance institution in Ivory Coast. What are the different microfinance's institutions in this west Africa country, in which year microfinance activities start in Ivory Coast? where precisely? What are the real data of microfinancing in Ivory Coast? • Microfinance in Ivory Coast

Microfinance in Ivory Coast was born in 1976 with the advent of the CREPCOOPEC network to give a new horizon for the rural development. The dynamism of this sector has favoured the liberalization of the banking system with support for international institutions and put an end to the poverty that kept growing over time. In 2014, this sector of activity had 322 services points. In the same year, microfinance reached more than 827,912 customers in all regions of the country and accumulation of savings and credit were respectively estimated at 146.7 billion and 100.7 billion (FCFA). The success of microfinance in Ivory Coast is linked to the informal sector, some microfinance grants credit to certain companies or to individuals so much so that the collection is done daily in small sums of money collected by microfinance agents, sometimes even offers by telephone deposit Orange money, Moov money and Mtn money. Moreover, in terms of leadership UNACOOPEC-CI remains to this day one of the best microfinance institutions in Ivory Coast and in the sub-region. This institution has been able to issue a subsidiary in each region of the country and very often receives subsidies from the State of Ivory Coast and guarantee and loan support funds. It represents the largest microfinance institution in the country with a market share of more than 65.7%. which concerns collection and savings with an estimated rate of 60.3% in 2014 when microcredit, which is an international microfinance institution, excels in the distribution of credit (40.1%) according to CNM in 2014. in reality the Ivorian market is dominated by five (5) large financial institutions such as ADVANS-CI, GES-CI, FIDRA, UNACOOPEC-CI, MICROCREDIT-CI. • The financing of economic activities

Partial or total financing of economic activity sectors in Ivory Coast in 2012 is equivalent to 72 billion (FCFA). Microfinance considers more the trade sector with an annual financing rate of more than 49% of total financing. The handicraft sector and other economic activity sectors represent only 16% while the agriculture and livestock sector, the two areas of activity put together represent 9% of the total. credit sharing' according to national commission microfinance in 2012. Ivory Coast is dominated by the agricultural sector because most of the Ivorian population is in the villages, clearly to understand microfinance in this country. we will try to analyse financial performance and profitability of microfinance institutions in key sectors of the

Ivorian economy. 2.2. General datas of the microfinance institution in Ivory Coast The general data is a collection of world-class information on the financial performance of microfinance institutions in all markets. The three-year compliance fee (2013-2015) aims to publish the number of customers, loan balances and savings. Analysis of the number of clients shows that sampling performance continues to improve. This is explained by the number of customers growing by more than 23% per year, rising from 183,661 to 290,565 in three years. This high proportion of customers was linked to the postelection crisis in Ivory Coast, where financial institutions were closed for security reasons and their activities were severely restricted. At the end of the 2011 crisis, the need to save and borrow to cope with the loss of assets made it imperative to resume activities to meet the needs of the family. As a result, some clients remain loyal to the microfinance industry. Overall, this sample shows a wide variation in performance against the services offered. People's confidence is explained by the competitiveness of the MFI. MFIs primarily serve non-regular workers. Its proposal is therefore aimed at micro-enterprises and solidarity women's groups. These customers also benefit from training in financial and commercial management of the informal sector and support for social integration. Through literacy and health programs. It is also important to reassure the IMF's, medical partners while emphasizing the continued operational capabilities of the spacecraft. 2.4. Towards inclusive finance While Ivory Coast has had exceptional growth and success over the past ten years, there are other factors that warrant caution. Low-income households in the Ivory Coast frequently need to borrow money from friends, relatives, or money lenders. An open and effective society must have unrestricted access to public goods and services. It is stated that because banking services are inherently a public benefit, it is crucial that their accessibility to the whole populace without restriction be the main goal of public policy. Poor people expect the financial system to provide them with deposits that are secure and safe, cheap transaction fees, flexible operation hours, frequent deposits, quick and simple access to credit, and other goods, including remittance that is appropriate for their consumption and income.

Why ratios are used to measure financial performance? Financial ratios are used to assess a company's profitability, financial structure, cash flow and activity. These tools are used in particular in the evaluation phase carried out before buying a company or to compare its

performance with other companies in the same sector. Given the multitude of existing financial ratios, it is necessary to select the most relevant ones according to your company and your activity. Once calculated, the financial ratios provide easy-to-analyse information that will easily detect the strengths and weaknesses of the company. Financial ratios are an excellent tool to evaluate your company's performance and identify potential issues. Certain aspects, such as your company's profitability, solvency, efficiency, and indebtedness, may be measured using ratios.

3.2. Research objectives

- to determine the profitability of micro finance institution
- } Determine the components, purpose, and relevance of important financial statements, as well as the links between them.
- } Present the income statement and balance sheet in such a way that the impact of donor resources is evident.
- } Track profitability, balance sheet management, portfolio quality, efficiency, and productivity by analysing financial statements.
- } Calculate the expenses of resources obtained through market transactions, the conversion of savings, or the receipt of subsidies and contributions.
- } Examine the provisioning and determine the rates used to cover doubtful debts and write-offs.
- } Create a global financial diagnostic that incorporates the microfinance institution's investment policy, financing policy, and treasury.
- } Determine the aspects that are critical to progressing towards profitability and financial sustainability.
- to determine the impact of net income total assets on net income to total operating expenses

Profit after taxes is known as net income and is obtained from the company's income statement. The assets are taken from the balance sheet and consist of cash and cash-equivalent things like receivables, inventory, land, capital equipment that has been depreciated, and the value of intellectual property like patents. The assets also include cash and cash-equivalent goods like land. The amount a firm has made from its core activities is represented by the profitability metric known as net operating income (NOI), which is determined by subtracting operating expenditures from operating revenue. It does not include non-operating costs like interest, tax charges, loss on the sale of a capital asset, etc.

- To know the impact of financial performance on financial sustainability

According to the study, there is a positive association between financial performance and financial sustainability corporate as evaluated by earnings yield, return on asset, return on equity, and return on capital employed. When it comes to a market-based financial metric.

- } The earning yield It may be used to compare the profits of a certain stock sector or the entire market to bond rates. In general, stocks have a greater profits yield than riskfree treasury

bonds. Some of this may be distributed as dividends, while others may be preserved as retained profits. Stock market prices can rise or fall, reflecting the added risk associated with equity transactions.

Findings of study The financial performance of microfinance institution is significantly impacted negatively by the debt to equity ratio, liquidity ratio, and operating expenses ratio, but favourably by the financial self-sufficiency ratio, operational self-sufficiency ratio, and size of microfinance institutions. Considering the results of the study, we suggest officers of microfinance institutions should place a strong emphasis on maximizing the use of current assets to generate higher cash inflows, prudent use of loan financing, and lowering operational costs. They will also put greater effort into increasing the microfinance institution operational and financial efficiency.

6.2. Summary At the end of our theme of study entitled " the financial performance and profitability of microfinance institutions in Ivory Coast " we defined the main lines of our memory such as the objectives of microfinance, its advantages without forgetting its disadvantages. We also justified 'to another extent the advent of microfinance institutions in Africa more particularly in Ivory Coast and we demonstrated the important data to justify the financial performance and the profitability' of the various microfinance institutions, their progressive evolution, the strategies for granting credit to disadvantaged and vulnerable people. In ivory Coast, microfinance has developed in a divergent manner over a number of decades. Nevertheless, given the rise in clients, the restructuring of UNACOOPEC-CI, and the ongoing reorganisation efforts, the sector's prognosis is still positive. In Ivory Coast, MFIs' social, financial, and overall performance are likely to be influenced by a number of characteristics that have been discovered by our study.

- **Conclusion**

The outcomes of our calculations allow us to draw the conclusion that the performance of these institutions is significantly influenced by the return on assets (ROA), cooperative MFIs, MFI size, and the age of the MFIs. Therefore, it would be preferable for small MFIs to restrict the amount of loans they provide so they can manage their structures well and operate effectively. The effectiveness of their institution will therefore depend on how well their management and loan officers are trained. In order to be effective and competitive, managers of "young" MFIs need plan training for their workforce. They can also benefit from what successful

MFIs in the microfinance industry have learned. In order for MFIs to comply with the texts and have better management tools, the public authorities must increase their efforts in terms of regulatory compliance and frequent training or retraining. In order to make the microfinance industry in the Ivory Coast socially and economically effective, we believe that our work will serve as a tool for increasing knowledge and awareness of microfinance players in the country.

- References

1. <https://the .akdn/where – we work/west- Africa/ivory coast /microfinance-ivory coast> } International Journal of Finance, Insurance and Risk Management Volume XI, Issue 1, 2021 }
2. International Journal of Management and Commerce Innovations Vol. 4, Issue 2, pp: (295-302), Month: October 2016 - March 2017, Available at: www.researchpublish.com
3. <https://altf.afdb.org/sites/default /files/2020-02/civ-LTF- country report> } <https://www.projectguru.in/types-microfinance-institutions-india> } Research Journal of Finance and Accounting www.iiste.org ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online) Vol.8,