

AN E-LEARNING SURVEY OF MICROFINANCE PRACTICES OF MICROFINANCE INSTITUTIONS IN NASHIK DISTRICT

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ABSTRACT

Microfinance is the facility of financial assistance to lower income, poor and very-poor people from society. The concept, Micro-Finance is no more new in India. Earlier some money-lenders used to lend credibility to farmers. Now there are organized formal institutions like SIDBI, NABARD, RRBs, Grameen Banks, Co-operatives, Micro Financial Institutions (MFIs) and various Self-Help Groups (SHG) which provide micro-financing services. A few years back MF observed only as a liaison of providing rural credit to farmers, cottage industries and small-scale enterprises who could not afford the high-interest rates of nationalized banks and required very small amounts of loans. However, with the advent of the era of "Make in India" and "Start-up India" the role of MF has evolved as a medium to provide economical and easy credit to young entrepreneurs. The paper begins with the introduction of the concept of micro-finance in India, its growth and the present scenario. A detailed and in depth survey is conducted by the researcher for analysing the various roles played by MFIs and its awareness in rural talukas of Nashik District in Maharashtra. The researcher interviewed 50 respondents from rural Nashik talukas through a structured questionnaire. Lastly, the paper focuses on various findings of the survey & suggestions to improve the conditions of MFIs and the need for a regulatory body to develop and guide MFIs to create Financial Literacy using E-learning Modes is highlighted. This paper aims to focus on the status of micro-finance as an instrument to stimulate the Indian economy to accomplish sustainable economic growth using E platforms in the era of capacity building & skill development.

Keywords: Microfinance, Microfinance Institutions, Benefits, Employment, Awareness

Introduction

There are many small enterprises in a rural part of India that even today find it difficult to get financial aid for carrying out their business functions efficiently. In spite of active existence of various financial institutions in the market for providing loans, institutions are reluctant in offering finance/loans to such small rural enterprises. This is because they find it risky to offer a loan on account of the uncertainty of new business and the question mark on viability businesses. The Financial Institutions are unable to recognize the fact that, the small enterprises can create social value as these are labour intensive industries and can subsequently create employment opportunities in the rural areas. This financial inclusion of underprivileged section by injecting capital in their businesses and by offering insurance coverage resulted in improved standard of living of beneficiaries. Micro-finance institutions (MFI) have been introduced with the sole objective of socio economic upliftment of underprivileged section of society. Government has launched various schemes to boost business of MFI's like group lending, individual lending.

What does a Microfinance Institution do?

Microfinance majorly focuses on delivering standardized credit products to the rural poor population/ marginal entrepreneurs. MSME needs a wide range of financial instruments to build long-term equity to consume, earn and protect themselves by hedging risks involved at different stages of business. The beneficiaries are majorly entrepreneurs operating businesses in rural and semi-urban areas. They are mostly marginal farmers and other low-income people who are engaged in small trade, food processing, agro-allied activities or other business activities. As far as urban area is concerned, small shopkeepers, service providers, hawkers, and small vendors are availing this facility. Group guarantee is unique feature of these financial intermediaries. Addressing the financial need vulnerable section of society and assuring smooth flow of funds is the core purpose of MF movement in India.

Role of Microfinance

Over last decade Micro-finance has become strong competitor to existing banking industry in India. Microfinance is not only limited up to women empowerment but also promoting gender equality which ultimately resulting financially healthy villages. Adopting and inculcating micro-finance culture is a prominent way of making females self-reliant and independent. Micro finance is a tool that assures consistent and

sustainable growth of the vulnerable section of society. The use of E platforms during and post Covid has made tremendous positive changes in the Micro Finance credit facilities.

Review of Literature

The role played by selected MFI's in training the beneficiaries of microfinance. The effectiveness of the training program imparted is evaluated. Loan repayment rate is evaluated using secondary data published by various MFI's. Review paper based on secondary data (Sayankar, Mali, 2022). This study adopted a descriptive research design, with the sample size of 60 respondents from Heritage Microfinance Limited, Amani Microfinance Ltd, FINCA Microfinance Ltd and Bayport Financial Services MFI's. The study primarily carried on to evaluate the Influence of Digital Financial Services in Enhancing Financial Inclusion in Tanzania. The study revealed that online account registration of account, internet banking, online loan processing, mobile banking and agency banking are major digital financial services offered by Microfinance Institutions in Arusha. This positively improved the financial inclusion in Tanzania. The researcher identified that there is significant and positive correlation between agency banking and financial inclusion. Researcher recommended that Microfinance Institutions in Tanzania should adapt and get acquainted with popular social media platforms to promote their services and also educate the customers about the uses of the products they offer (Benson, Watson, 2022)

Various studies tried to identify the existing status of Micro finance with reference to MFI's based in Nepal. Researcher analysed the need of establishing more efficient operational processes (distribution techniques) by MFI's. According to the author there is huge scope for expansion of financial services in the Hills of Nepal. The NGO's existing in this area should be supported with village banking models and community loan funds. There is tremendous scope for expansion of business through proper channel (Bhandari, 2022). This paper highlights the hurdles that are faced by the MFI's business in rural India. The Researcher has studied the role, impact of Financial Inclusion and its status in various parts of India. Women empowerment is not restricted only up to economic empowerment, the psychological and social empowerment is significant as well. The study assesses the role that is played by SHG's in attaining the goals that are set by various MFI's (Masha, 2021)

Role of E-Governance in imparting knowledge, schemes and various allied services that are offered by Microfinance institutions is studied. The Authors have investigated the impact of E-Governance on the interior parts of India. They have tried to evaluate the penetration of E Governance schemes in the various sections of society. This study is restricted to implementation of E-Governance schemes (Kumar, Srivastava & Routh, 2020). A survey based research paper majorly emphasized on economic empowerment of 100 women respondent residing at four different district of Alwar Rajasthan. It is a critical study about the performance of MFI's based there in the economic empowerment and poverty alleviation of different income and age groups of women respondents. The parameters applied were dependency on money lenders, ability to meet the financial crisis and an increase in the savings of beneficiaries (Saini, Kumar, 2020).

The study carried out purports to investigate the reach, extent and depth of micro finance in India. The role of Self-Help groups (SHGs) and Joint Liability Group (JLG) with banks is critically examined. Authors have identified the areas for policy makers, NGOs and agencies for designing a strategic action plan for better livelihood of the beneficiaries. The inter-link of micro-finance and entrepreneurship is studied. They have highlighted the major contribution of MFI's in reduction of unemployment, poverty and creation of job opportunities in rural areas where opportunities are very limited (Goel, Aggarwal, 2020). A secondary data based research paper highlighted the aspect that Microfinance and Education are highly related with each other. According to researchers, there is a direct relationship between wealth and education of people. The funding availed from MFI's by people has been majorly utilized in education, business or health. Micro finance helps in creating more money is been discussed in the mentioned research paper (Edwins, 2018).

The researcher studied the effectiveness of Microfinance through Self-Help-Groups (SHGs) for socio-economic development of the rural women in the Boudh district of Odisha. Primary data are collected using a questionnaire and collected data are analysed and presented through non-parametric test, i.e. Chi square test, ANOVA test by the researcher. It has been identified that there is a positive relation between microfinance institution and overall economic development of poor people in a rural area. In addition to informal financial intermediaries, the formal and semi-formal sectors also are taking much interest in providing micro finance to rural women in Odisha (Panigrahi, 2017). A descriptive research emphasizing on universal application of Micro finance. According to researcher it cannot be utilized by everyone as it excludes among the target group of underprivileged households, very young population, old sick, and handicapped people. The immediate need for a variety of financial services beyond credits has been recognized by the researcher in given research. According to researcher a variety of financial products and services such as savings and deposits, micro

insurance, pension funds, remittance services and non-financial services such as skills development trainings and education is required to be offered accordingly (Malik, 2016).

The role of micro finance in overcoming educational gap is a real challenge in developing countries. The author has considered Africa for this study and concluded that cost, proximity, quality, employment relevance and family emergencies are some of the important hurdles in education over there. He emphasized on how options are leveraging micro-finance to improve educational outcomes in Africa (Nathan, 2015). The researchers emphasised on an empirical assessment of the connection between micro-finance and children education based on the panel data that is existing. They have tried to tackle these shortfalls by combining retrospective panel data and comparison between pre and post-treatment trends. Based on it the progressive effect of micro finance on the beneficiaries is evaluated. For this research sample was selected on the basis of income groups. The Researcher has identified that micro credit history has a positive and significant effect on the standard of living and child schooling conditions (Becchetti , Conzo, 2014).

Research Methodology of the study:

Objectives of the study

- To study the awareness of e-platforms provided by MFI’s for MF in the Nashik District.
- To identify the e-platforms made available by MFIs in the Nashik District
- To analyse the usefulness of Microfinance in the Nashik District
- To identify factors that are crucial for the growth of Microfinance Institutions

Data collection

Both, primary and secondary data were used for conducting current survey. A structured questionnaire was prepared and distributed among respondents.

Sample size

The sample size for this study was 50 rural respondents, from different talukas of the Nashik District.

Sampling techniques

Non-Probability-Convenience Sampling was used in this study.

Research design

For this paper, exploratory research was used; rural respondents from different backgrounds filled out the questionnaire.

Data analysis

Yes	No	Total
43	7	50
86%	14%	100%

Table No. 1 Awareness about Micro Finance Institutions.

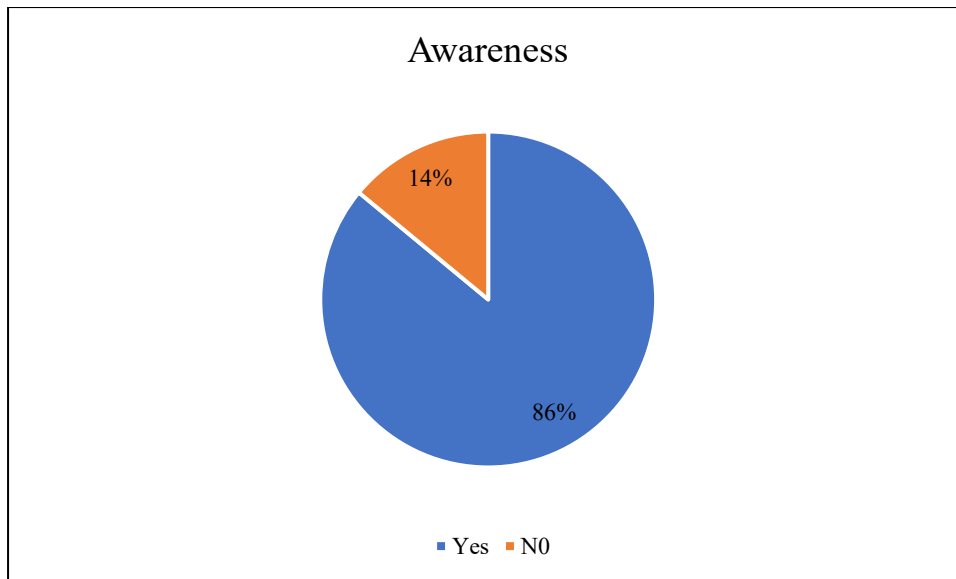


Fig. 1 Awareness about Micro Finance Institutions.

From the above graph, it is clear that 86% of People living in the Nashik District are aware of Microfinance institutions.

Yes	No	Total
32	18	50
64%	36%	100%

Table No. 2 Micro Finance Services availed from MFI's

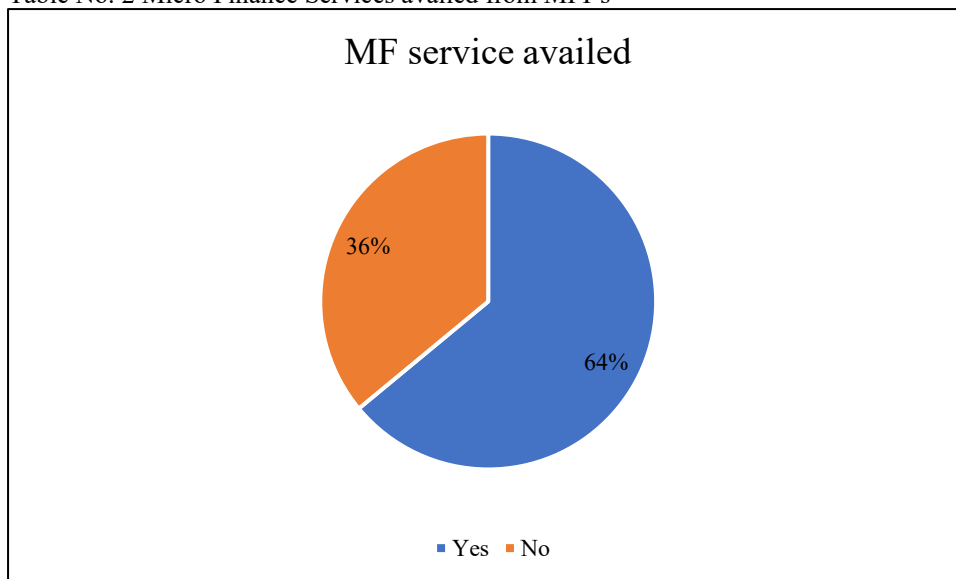


Fig. 2 Micro Finance Services availed from MFI's

The above graph shows that 64% of respondents who belong to the rural population of Nashik District have availed of MF loans/services. This shows that the majority of respondents rely on services provided by MFIs

Yes	No	Total
39	11	50
78%	22%	100%

Table No. 3 Awareness about the Benefits Micro Finance by MFI's

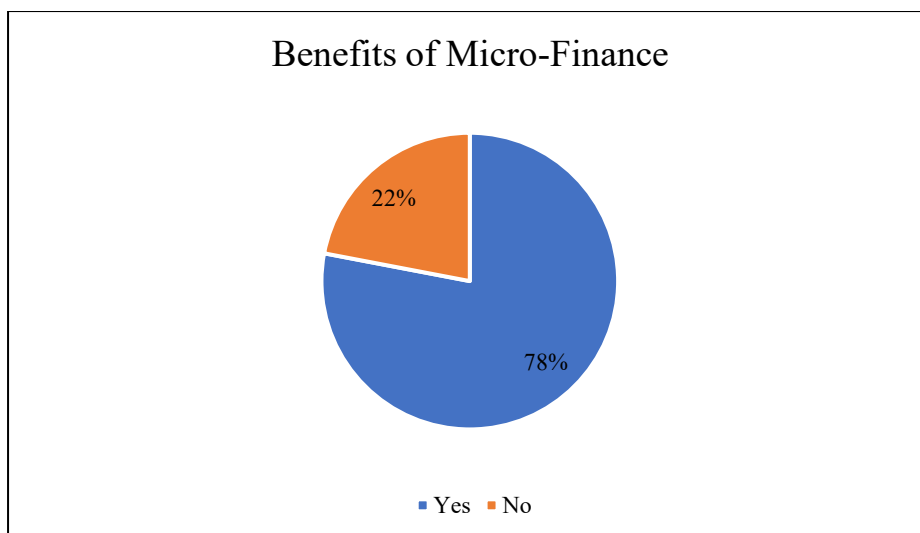


Fig. 3 Awareness about the Benefits Micro-Finance by MFI's

From the graph, it is clear that although 22% of rural people have heard about micro-finance facilities but they have not used MF products/services. The majority respondents i.e. 78% of respondents are quite aware of the existence and benefits of MF services/products. This means microfinance institutions have successfully penetrated information about their products and services in the geographical area under research.

Benefits	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	WAS	Rank
Reduce financial drain	37	7	3	1	2	4.52	III
Provide immediate funds	41	2	4	2	1	4.6	I
Better access to credit	39	3	5	2	1	4.54	II
An opportunity to get education / Good health	31	3	4	5	7	3.92	V
Creates Employment	34	4	3	4	5	4.16	IV

Table No.4 Benefits of Micro Finance

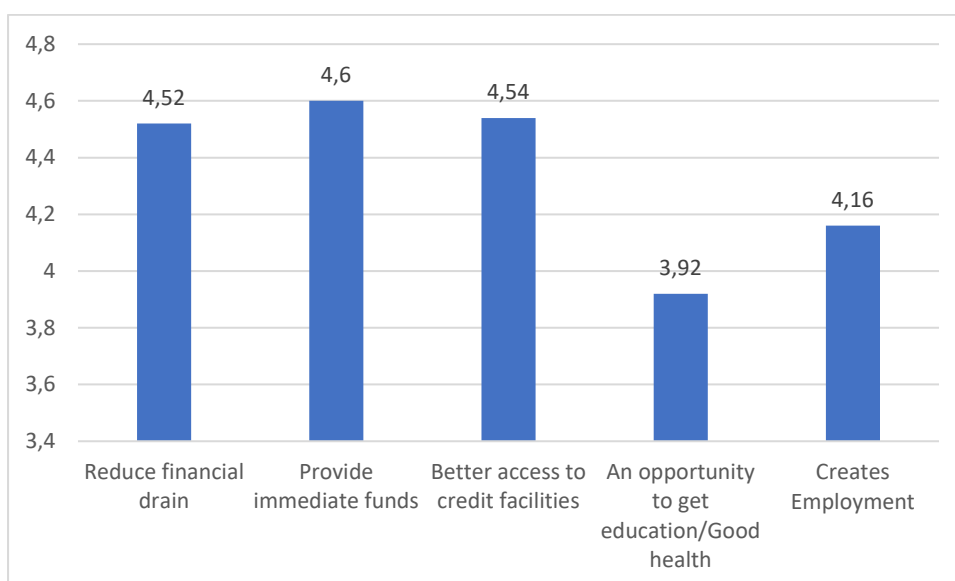


Fig. 4 Benefits of Micro Finance

The respondents were asked to rank the above benefits of MF. According to the responses received “MF provides immediate funds” is ranked I with the highest WAS of 4.6 followed by “Better access to credit facilities” at rank II with WAS 4.54, “Reduce financial drain” at Rank III with WAS 4.52, “Creates employment” Rank IV with WAS 4.16 & “An opportunity to get education/Good health” at ranked V with WAS 3.92 by the respondents.

Yes	No	Total
41	09	50
82%	18%	100

Table No. 5 Scope of MFI's

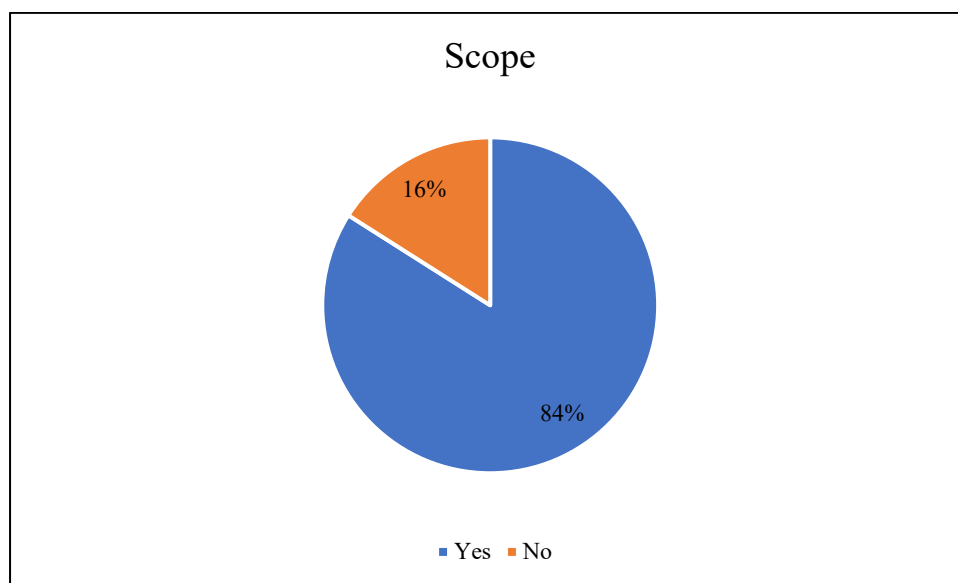


Fig. 5 Scope for MFI's

From the above pie chart, it is clear that 82% of rural respondents feels that MF has good scope than Banks. If managed properly MF has large scope to reach the rural population.

Yes	No	Total
42	08	50
84%	16%	100

Table No. 6 Role in Women Empowerment

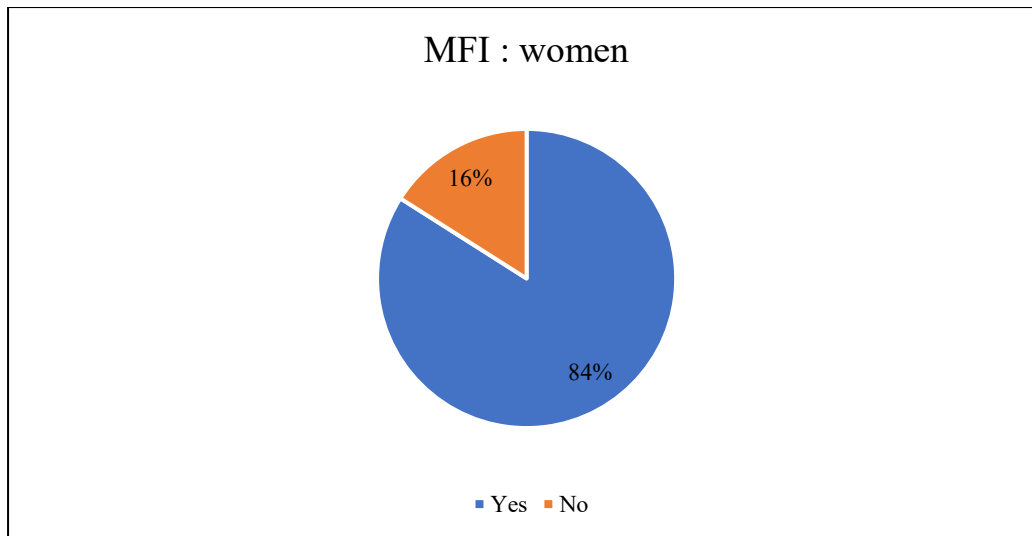


Fig. 6 Women Empowerment

The above graph depicts, the respondents are well aware that micro-finance institutions have a key role in alleviating unemployment, especially amongst women by providing them with an opportunity to earn their livelihood and support their families.

Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	WAS
Low-Interest Rate	21	16	7	3	2	4.06
Availability	31	11	2	3	3	4.28
Processing & Sanctioning of Loan	38	5	1	2	4	4.42
Instalment Factor	39	7	2	1	1	4.64

Table No. 7 Determinants of growth of MFI

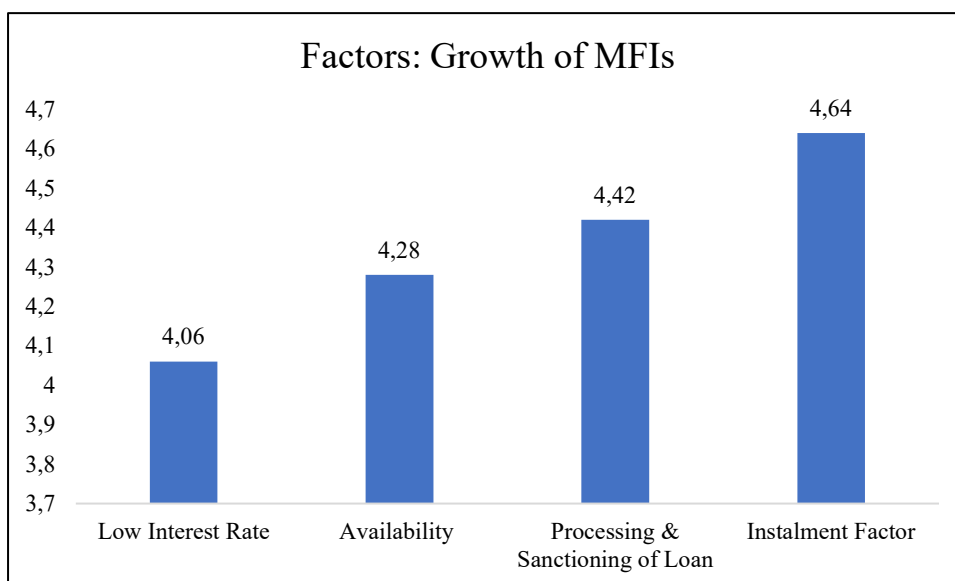


Fig. 7 Determinants of growth of MFIs

According above graph, the most crucial factor for the growth of MFI is the Instalment factor with WAS 4.64 followed by the Processing & Sanctioning of the loan with WAS 4.42 and so on.

Yes	No	Total
44	06	50
88%	12%	100

Table No. 8 Role of Micro-Finance in Poverty alleviation

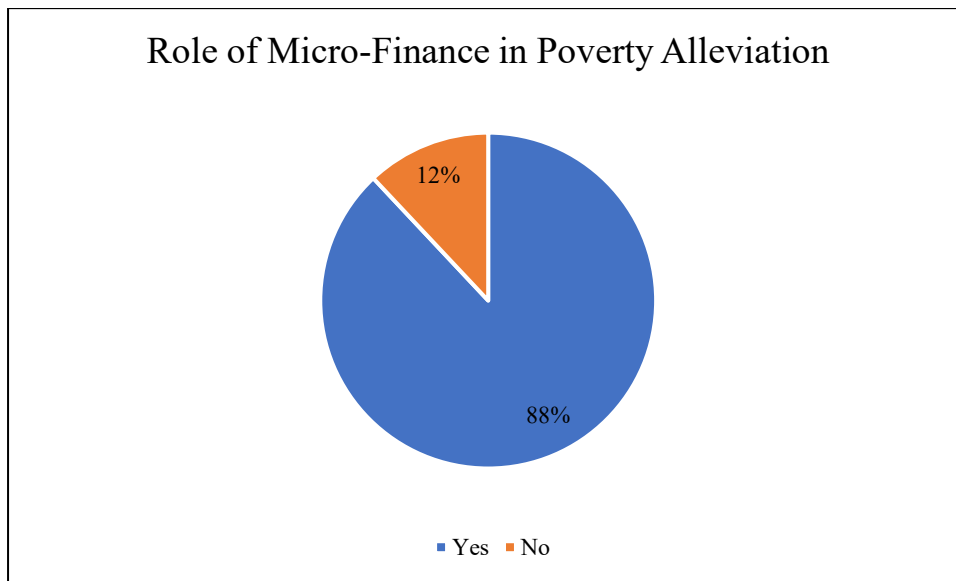


Fig. 8 Role of Micro-Finance in Poverty Alleviation

According to the responses, 88% of respondents feel that MF helps in reducing the poverty whereas only 12% of respondents do not agree with it.

Response	Number	%
Poor	5	10%
Average	2	4%
Good	11	22%
Very Good	22	44%
Excellent	10	20%
Total	50	100%

Table No. 9 Future of Micro-Finance.

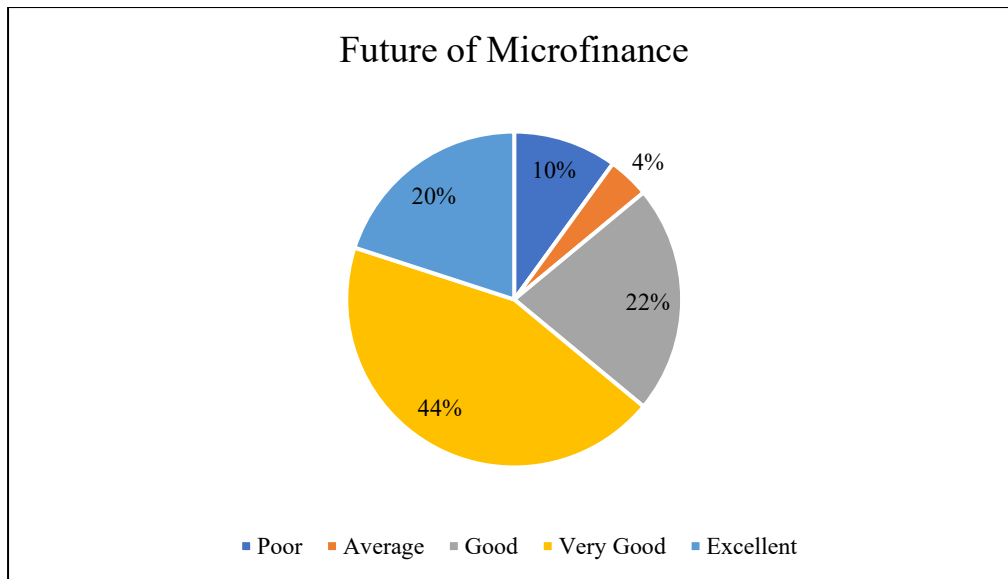


Fig. 9 Future of Micro Finance

Above graph proves that the future of MF is glorious in India as the majority i.e. 88% of respondents have rated the above question above the range of good.

	Tools/Strategies	Fully Aware	Aware	Neutral	Not aware	WAS
1	Online Advertisement/SMS etc.	42	8	0	0	3.84
2	Promotional Campaigns (social media / Posters / Banners)	41	9	0	0	3.82
3	Training / Workshops / Lectures / Webinars	37	13	0	0	3.74
4	Mobile Apps	21	25	0	4	3.26
5	Partnerships with NGOs/Influencers	19	21	6	4	3.1

Table No. 10 Level of Awareness

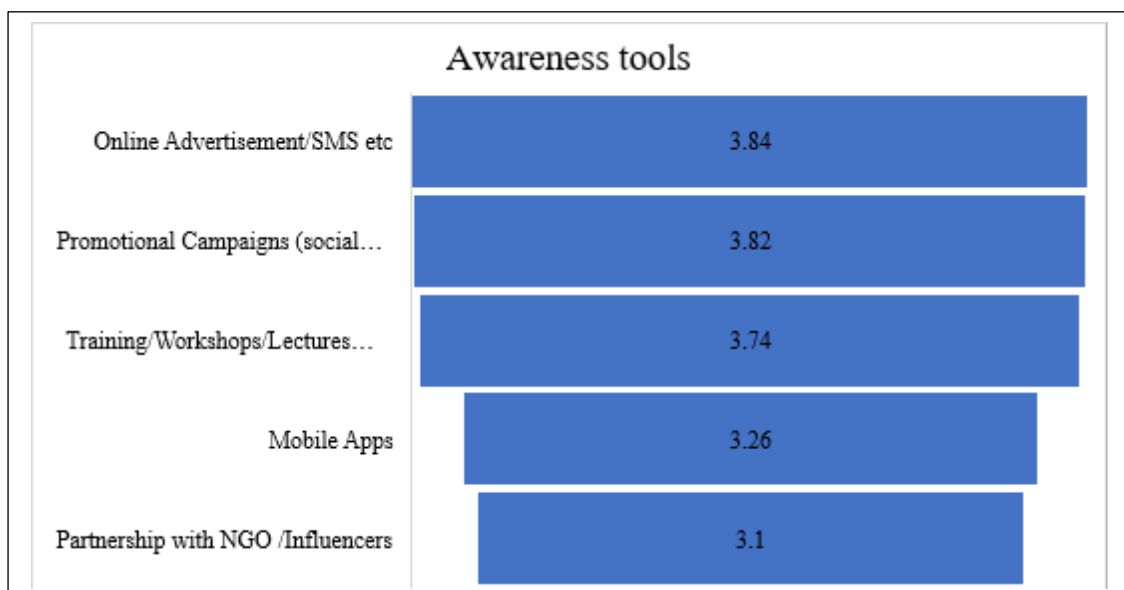


Fig. 10 Level of awareness of strategies deployed by MFI's

According to the above graph the highest level of e-platform awareness among the respondents is about ‘Online Advertisement/SMS etc.’ with WAS 3.84 followed by ‘Promotional Campaigns (social media / Posters / Banners)’ with WAS 3.82 followed by ‘Training / Workshops / Lectures / Webinars’ with WAS 3.74, ‘Mobile Apps’ with WAS 3.26 and lastly ‘Partnership with NGO /Influencers’ with WAS 3.1.

This shows that respondents are well aware of e-platform tools and it has been observed while interacting with the respondents that, they have also availed of these above tools while transacting with their MFI. This enables MFIs to build trust with potential customers and also promote financial literacy in the communities they operate.

	Tools/Strategies	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	WAS	Rank
1	Digital Loans	37	5	3	4	1	0	5.46	II
2	KYC	47	3	0	0	0	0	5.94	I
3	Digital Payments & Remittance	2	2	41	1	3	1	3.92	V
4	Mobile Banking	3	4	2	32	5	4	3.12	VI
5	Financial Literacy	5	3	39	0	1	2	4.1	IV
6	Credit Rating	36	7	2	2	3	0	5.42	III

Table No. 11 Availability of E-Platforms for MF

Fig. 11 Availability of E-Platforms for MF

MFI offer different types of e-platforms to serve their customers, streamline operations and also improve overall efficiency. The author here has shortlisted a few common e-platforms that MFIs make available for their customers. The respondents were asked to rank the e-platforms based on their experience while transacting with MFIs. Based on the results, ‘KYC’ is ranked I with the highest WAS of 5.94 followed by ‘Digital Loans’ at rank II with WAS of 5.46, at rank III is ‘Credit rating’ with WAS of 5.42 followed by ‘Financial Literacy’ at rank IV with WAS 4.1, at rank V is ‘Digital Payments & Remittance’ with WAS 3.92 and ‘Mobile Banking’ at rank VI with WAS 3.12

It is important to note that the e-platforms offered may vary depending on the size, operational model and also target audience. It is suggested that MFI’s should carefully assess the needs, customer preferences and available resources while choosing and implementing e-platforms so that the alignment with the overall goals & strategies can be attained.

Key findings

The formal sources of micro-finance are no more new in India. Many people are aware of the microfinance industry in Nashik District. The key findings are as follows

- MFIs are playing an important role in alleviating poverty.
- Besides poverty alleviation MFIs are positively contributing in generating employment opportunities for rural and urban population.
- All MFI provide funding to women borrowers on priority which resulted in increase in women entrepreneur in geographical area under research.
- Minimal Documentation is required to avail loan from MFI’s and the technology adoption converted this borrowing process more user friendly.
- E-Platforms adopted by MFI’s has turned the conventional lending procedure to a very easy E-Learning Platforms have strengthen business of MFI’s in Nashik.
- MFI has a very glorious future in India as it is strengthening the backbone of Indian economy.

Limitations

The current research was conducted by convenience sampling technique which might have biases.

Since the survey was conducted in rural areas of Nashik District, the results of this survey were not generalized It is difficult to say that the secondary data collected from different sources are up to date.

Conclusion of the study

The entire analysis indicates the following facts about MFI in Nashik District

- The level of awareness among the people of Nashik District is High
- If we intend to remove social disparities the Government (State/Central) need to support these MFIs
- As compare to Banks microfinance charges a loan processing charges and other service charges.
- A suggestion to improve the conditions of MFIs and the need for a regulatory body to develop and guide MFIs is emphasised
- The growth of this sector can change the fortune of the Indian Economy.

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