

**“A STUDY OF MOBILIZATION OF FUNDS BY PRIVATE  
MICRO FINANCE INSTITUTES (MFI) IN PUNE CITY”**

**A THESIS**

**SUBMITTED TO**

**TILAK MAHARASHTRA VIDYAPEETH,PUNE**

**FOR THE DEGREE OF**

**DOCTOR OF PHILOSOPHY**

**In MANAGEMENT**

**UNDER THE BOARD OF MANAGEMENT STUDIES**



**Estd. 1921**

**Submitted by**

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**JULY 2022**

## **DECLARATION**

I hereby declare that this Ph.D. thesis titled **“A STUDY OF MOBILIZATION OF FUNDS BY PRIVATE MICRO FINANCE INSTITUTES (MFI) IN PUNE CITY”** completed and written by me has not previously formed the basis for the award of any degree or other similar title upon me of this or any other Vidyapeeth or examining body.

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## **CERTIFICATE**

It is certified that the work titled, “**A STUDY OF MOBILIZATION OF FUNDS BY PRIVATE MICRO FINANCE INSTITUTES (MFI) IN PUNE CITY**”, is an original research work done by Ms. Jyoti Suraj Harchekar, under my supervision for the degree of Doctor of Philosophy in Management studies to be awarded by Tilak Maharashtra Vidyapeeth, Pune. To the best of my knowledge this thesis

- Embodies the work of the candidate herself
- Has duly been completed
- Fulfills the requirement of the ordinance related to the Ph.D. degree of the TMV
- Up to the standard in respect of both content and language for being referred to the examiner.

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## **UNDERTAKING**

I, Ms. Jyoti Suraj Harchekar, am a Ph.D. Scholar of the Tilak Maharashtra Vidyapeeth in management studies subject. The thesis titled “**A Study of Mobilization of Funds by Private Micro Finance Institutes (MFI) in Pune City**”, under the supervision of Dr. S.R. Kandalgongkar, solemnly affirms that the thesis submitted by me is my work. I have not copied it from any source. I have gone through an extensive review of literature of the related published / unpublished research works and the use of such references made has been acknowledged in my thesis. The title and the content of the research are original. I understand that, in case of any complaint especially plagiarism, regarding my Ph.D. research from any party, I have to go through the inquiry procedure as decided by the Vidyapeeth at any point in time. I understand that, if my Ph.D. thesis (or part of it) is found to be duplicated at any point in time, my research degree will be withdrawn and, in such circumstances, I will be solely responsible and liable for any consequences that arise thereby. I will not hold the TMV, Pune responsible and liable in any case. I have signed the above undertaking after reading carefully and knowing all the aspects therein.

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## ACKNOWLEDGEMENT

I would like to thank all the individuals and organizations that assisted me in carrying out the research work presented through this thesis. I must acknowledge prominent persons who have spent their time, resources, and shared experiences with me, with gratitude. All of them have helped me to complete this work with pleasure and satisfaction.

In the beginning, I express my gratitude towards my guide Dr. S.R. Kandalgaonkar, Research Guide, Department of Management, Tilak Maharashtra Vidyapeeth, Pune for his constant research-oriented efforts in guiding and supervising my work. At every step of this research, he carefully helped me to complete this work irrespective of all odds.

I am grateful to my parents, Mr. and Mrs. Thorat, my in-laws, Mr. and Mrs. Harchekar, and my husband, Mr. Suraj Harchekar for continuously supporting and encouraging me at every step of this research. Their encouragement has led me to complete this research successfully. A special mention would be reserved for my dear daughter Dhriti for bearing my absence and lack of attention towards her during my research.

I would like to thank all my friends, and colleagues of Tilak Maharashtra Vidyapeeth, Pune for their encouragement. I express my gratitude to Dr. Aditi Deshpande for her valuable guidance in writing the analysis and results.

I would like to thank Dr. Pranati Tilak, Dean Department of Management & Dr. C. Sunanda Yadav, need a special mention for their inputs and constant encouragement throughout my research journey. Tilak Maharashtra Vidyapeeth (TMV), Department of Management, and Lokmanya Tilak Centre for Research and Development have helped me from time to time. The coursework, workshops, and guidance offered have been very helpful. I would like to thank all the Micro/Small Finance Bank staff, RBI officials that I met and interviewed in Pune city, for their valuable time and co-operation during the survey conducted for research.

**Ms. Jyoti Suraj Harchekar**

## Abstract

I am glad to write the abstract of the thesis titled **“A study of mobilization of funds by private Micro Finance Institutes (MFI) in Pune city”**. Banking is the backbone of every economy for the smooth functioning of trade and commerce as well as for individuals staying in different parts both urban and rural of the economy. The central bank of the nation is the apex parental body for the creation, functioning, and control over the entire banking system of the nation. It also acts as the bridge between the government on one hand and the citizens on the other hand.

Indian Banking system has a long track record over edges. The traditional banking dominated by private money lenders was unscientific, unsystematic, and uncontrolled banking system. The word bank has been derived from the Latin term “Banco” and the British model of banks and bankruptcy have a great impact on the Indian banking system. Just as the bank of England is the central bank, the reserve bank of India is empowered with all the banking rights in India. Starting in 1935, the RBI was nationalized in 1949 and today the entire set up of banks – nationalized banks, private banks, cooperative banks, and the small finance banks is working under the umbrella of the RBI.

The researcher has a lot of curiosity about the functioning of the banking system in general and the small finance banks in particular. Although the small finance banks in India are in their budding stage. It has carved its niche by reaching the unreached areas and people. The researcher has taken up the present research work to conduct an in-depth study of origin, objectives, organizational setup, serving to the masses, views, and opinions of customers and office bearers of micro/small finance banks operating in Pune City.

The present research work will be classified into the following chapters:-

- Introduction
- Literature Review
- Research Methodology
- Data Analysis
- Findings and Conclusion

Besides noting the development of the city of Pune, turning from a municipal council to Municipal Corporation to the metropolis city today, the researcher has also taken an account of the changing banking needs of trade and commerce as well as of the citizens in the city of Pune. Yet it is observed that there are certain unbanked areas as well as people away from basic banking in different pockets of the city of Pune. The researcher has attempted to contact all the small finance banks launched in different parts of the city by interviewing the office bearers of the said banks besides the collection of primary data from the users of such banks. To have better, all-round knowledge about the pros and cons, favorable conditions as well as limitations of the small finance banks in the city of Pune, the researcher also has interviewed leaders of cooperative banks as well as the policymakers of the Reserve Bank of India.

Evaluation of the performance of any bank is important in modern times. The reserve bank of India being the apex body in banking has come out with different norms like Non-Performing Assets (NPA), the market value of fixed assets of banks, and audit gradation approved by statutory auditors are some such norms today though the majority of banking sector consisting of nationalized banks, private banks, and even co-operative banks have been following the same for establishing public image the small finance banks are the new players in the market. The researcher would like to develop some such norms of evaluation of the performance of the small finance banks for public consumption.

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## List of Abbreviations

<b>Abbreviation</b>	<b>Explanation</b>
ACF	Auto Correlation Function
AD	Authorized Dealer
AFS	Annual Financial Statement
ASSOCHAM	Associated Chambers of Commerce and Industry of India
AIRCSC	All India Rural Credit Survey Committee
BIS	Bank for International Settlements
BoP	Balance of Payments
BSCS	Basel Committee of Banking Supervision
BSR	Basic Statistical Returns
CAD	Capital Account Deficit
CASA Ratio	Current Account Saving Account Ratio
CC	Cash Credit
CD	Certificate of Deposit
CR Ratio	Credit Deposit Ratio
CP	Commercial Paper
CR	Capital Receipts
CRAR	Capital to Risk-Weighted Asset Ratio
CRR	Cash Reserve Requirement
DBOD	Department of Banking Operations and Development

DCB	Demand Collection and Balance
DCCB	District Central Co-operative Bank
DCM, RBI	Department of Currency Management, RBI
DD	Demand Draft
DGCI&S	Directorate General of Commercial Intelligence and Statistics
DICGC	Deposit Insurance and Credit Guarantee Corporation of India
ECS	Electronic Clearing Scheme
EXIM Bank	Export Import Bank of India
FEMA	Foreign Exchange Management Act
FI	Financial Institution
FICCI	Federation of Indian Chambers of Commerce and Industry
G-Sec	Government Securities
IDRBT	Institute for Development and Research in Banking Technology
IFSC	Indian Financial System Code
IFC	Indian Financial Corporation
IMF	International Monetary Fund
IP	Interest Payment
KYC	Know Your Customer
KVIC	Khadi and Village Industries Corporation
LAF	Liquidity Adjustment Facility
MFI	Micro Finance Institution



NABARD	National Bank for Agriculture and Rural Development
NBFC	Non Banking Financial Companies
NPA	Non Performing Assets
NPV	Net Present Value
NSSF	National Small Savings Fund
OD	Over Draft
PACs	Primary Agriculture Credit Societies
RD	Revenue Deficit
RE	Revenue Expenditure
RoC's	Registrars of Companies
RR	Revenue Receipts
RRB	Regional Rural Bank
RWA	Risk Weighted Asset
SCARDB	State Co-operative Agriculture and Rural Development Bank
SCB	State Co-operative Bank
SCB	Scheduled Commercial Bank
SEBI	Securities Exchange Board of India
SFC	State Financial Corporation
SIDBI	Small Industries Development Bank of India
SIDC	State Industrial Development Corporation
SLR	Statutory Liquidity Ratio
TB's	Treasury Bills

TC	Temporary Change
TT	Telegraphic Transfer
UCN	Uniform Code Number
UTI	Unit Trust of India
WPI	Wholesale Price Index
YTM	Yield to Maturity

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## **CHAPTER 1: INTRODUCTION**

### **1.1 Background of Study**

The banking industry is the backbone of any country. It provides a wide range of financial services to both urban and rural citizens. The speed of economic growth and development is helped by a sound financial system. Money is essential to a country's general well-being because it allows people to manage their needs, expand their alternatives and improve their standard of living. People from various walks of life are brought together under one roof in the financial sector. The primary goal of the financial service provider is to have a better understanding of the different financial needs of low-income people in both urban and rural areas. The financial services business for the impoverished in today's world is a little challenging. "Bottom of the pyramid" banking, refers to the provision of financial services to low-income people which otherwise excludes them and prevents them from participating.

The Bank of Hindustan was founded in 1770 and liquidated in 1829–32, and the General Bank of India, founded in 1786 but failed in 1791, was among the first banks. It was called the Bank of Bengal in 1809. Loans from the Vedic period have been discovered in ancient India (beginning in 1750 BC). Later, during the Maurya dynasty (321–185 BC), an instrument known as “**Adesha**” was in use, which was an instruction to a banker to transfer the money of the note to a third party, which corresponds to the modern meaning of a bill of trade. There was a lot of use of these instruments during the Buddhist period. Merchants in large cities exchanged letters of credit. The purpose of banking institutions is to provide loans to the general public. Banks allowed members of the general public to expand their credit limits and make larger purchases as economies grew.

Brief History of Banking – In India, modern banking started in the latter decade of the 18th century. The term "**Banco**" comes from the Latin term "banco," which refers to a



wooden bench on which early banking transactions and money lending took place. The term "*bankrupt*" comes from the fact that when any organization became indebted and collapsed, the wooden bench was broken down, resulting in bankruptcy. As a result, the Indian banking sector has inherited the origins of the banking system from western countries.

Banking may have started in ancient Assyria and Babylonia, with merchants issuing grain loans as collateral in a barter system. Lenders in ancient Greece and the Roman Empire made two significant innovations: accepting deposits and changing money.

Financial services are financial institutions such as commercial banks, NBFCs, and microfinance institutions that provide economic services. Financial services used to be limited to credit and deposit facilities, but they now encompass a wide range of activities including money lending, capacity building, savings, money transfer, insurance, asset building, and managing irregular income flow, to name a few.

Research in banking has been a matter of interest for the researchers over last several years. The banking sector in India has a glorious track record suggesting the history of several milestones in the banking sector of India. It can be classified into three parts history of banking in the pre-independence period (Up till 1947), the history of banking in the post-independence period (From 1947 till 1991) and the free trade policy era (From 1991 onwards). Because of undertaking the present research on "A Study of Mobilization of Funds by Private Micro Finance Institutions (MFI) In Pune City, the researcher found it essential to make a literature review. In the chapter on literature review, the researcher has reviewed the research projects already completed on banking in India and the research gaps have been identified. Further, the researcher has reviewed research papers presented by scholars in banking at various national and international seminars/conferences and the research gaps have been identified.

## **1.2 Mobilization of funds:**

Mobilizations of funds include activities such as:-

- Activities that would have a revenue stream or could be sponsored.
- Activities that would require capital investment but would generate substantial revenue.
- Activities that are not likely to generate revenue

Activities with a revenue source or that may be sponsored include: These activities have the potential to provide quick revenue streams. Construction of business shelters, for example, can generate cash in the form of advertising. This may even be profitable if properly planned and coordinated with business operating firms. It is also feasible to secure funding for these projects.

Activities that would necessitate a capital investment yet would provide significant revenue: It may not be necessary to invest public funds for this purpose because this activity generates a cash flow that, if correctly managed, can be utilized to fund the initial investment. Innovative procedures such as escrow accounts, business leasing/hiring and so on could be used once more.

Activities that are not likely to generate revenue: Funds for these would have to come either from the surpluses of the city governments or be allocated by the state government or the Union for city development. Innovative methods could also be used to convert benefits into revenue in the long run. This could be in the form of the property tax levied by the city government for road improvements or a levy of a betterment tax on areas around improved infrastructure. If this is done the city government or the development authority may be able to raise resources through financial institutions or banks.

Deposit mobilization is a key function of the banking industry. It is a vital source of working capital for the bank. Deposit mobilization is a critical aspect in increasing banks' ability to serve successfully. Deposit mobilization is critical in providing acceptable service to many areas of the economy. The success of the banking industry is heavily reliant on deposit mobilization. Deposits have an impact on the bank's performance

because they are typically seen as a low-cost source of operating capital. There are various sorts of deposits, each with a particular maturity schedule and interest rate. The cost of raising deposits influences deposit mobilization.

In the current environment, banks' performance is judged using a variety of measures, including deposit mix and the proportion of low-cost deposits in the mix, among others. In today's competitive environment, with the rise of private and multinational banks, an optimum deposit mix is essential for survival. Because the interest paid on deposits is a significant burden on the bank, the bank urgently needs to mobilize low-cost deposits such as current accounts and savings bank deposits. Banks borrow and lend money. They borrow money by receiving deposits from the general public, including bank members. Deposit mobilization is the primary source of cash for lending activities; the volume of deposits is critical for profitable operations.

### **1.3 Concept of Banking: -**

The term banking is as old as the trade and commerce worldwide. To facilitate the ease and speed of transacting, money plays a vital role hence money is noted as a medium of exchange. The term banking originates from England. It relates to the Latin term "**Banco**" which means a Bench used by the private money lenders operating on street paths for collecting deposits and lending the currency by way of loans to the needy persons. Furthermore, it's worth noting that private money lenders have been known to fail to meet their obligations to depositors, resulting in the bench used for sitting and functioning being completely shattered. Thus the term bankruptcy has been coined. The private money lenders slowly and gradually were converted into institutions called banks. Such banks needed the central control of the Government. The Bank of England and the Bank of America are classic examples of the respective nation's Central Bank. In the case of India the central bank i.e. the Reserve Bank of India was created in 1935.

## **1.4 History of banking in India: -**

### **1.4.1 Introduction: -**

The Reserve Bank of India is the country's central bank. Since the time of its inception (1935) as a private bank, the RBI is trusted as the bank of the Government and has been acting as a bridge between the government on one hand and the banking sector in India on the other hand. The working of RBI has been laid with the guidance of various expert committees in banking and economics over the last 9 decades. The establishment, expansion and development, ruling and control over the commercial banking sector in India have been made possible from time to time with the path-setting recommendations and resolutions of all these committees and commissions on banking. The Finance Ministry of the Government of India has been laid by the suggestions and guidance of the expert members of all such committees to name a few:-

- Talwar Committee Report (1975)
- Narsimham Committee Report I & II (1991&1995)
- Financial Sector Reforms Committee Report (1991)
- Dr C. Rangarajan Committee Report (2001)
- Raghuram Rajan Committee Report (2007)
- Developments of Small Finance Banks Reports

### **1.4.2 Origin of banking in India: -**

The Reserve Bank of India was initially constituted as a shareholders bank. It was in the year 1934, that the then British government thought it essential, to have a Central Bank for the nation. Therefore, it was in the year 1934, that initially the RBI formalities of Legislative arrangements were completed and on April 1st, 1935 the Reserve Bank of India started functioning. While the issue of state ownership of the bank came into the force at the closure of the Second World War. It was felt essential that the Reserve Bank

of India should be under the public ownership and therefore the Reserve Bank of India (transfer to public ownership) Act 1948, was passed and thereby the private ownership of The Reserve Bank of India was transferred to the state ownership. The central bank's major functions are largely the same all over the world. It is the note-issuing authority, the banker's bank and the bank to the government. However, the scope and content of the policy objectives vary from country to country and from period to period. The Reserve Bank of India Act states that the bank's principal purpose is to supervise the issuing of banknotes and the maintaining of reserves to ensure monetary stability in India and to administer the country's currency and credit system to its benefit.

### **1.4.3 Indigenous Bankers as Private Money Lenders:**

The tradition of banking originates with the indigenous bankers hand in hand with the mercantile systems in India. Indigenous banker means the private firms of individuals purely as money lenders to the needy people and businesses. They also provided credit to the then Governments – Rulers of the different provinces. With the admission of the British, who initially entered as merchants, captured slowly the trade and commerce and also became rulers? British have brought and established their systems and culture in different walks of life in India – from transport and communication, education and judiciary, etc. The European banking system began to enjoy state patronage and prestige over the indigenous bankers. However, different types of money lending practices prevailed in different parts of the nation right up-till the mid of 19<sup>th</sup> Century. The indigenous bankers were operating in different corners of the nation under different names like Savkar of Maharashtra, Gujrathi Shroffs- Shikarpuri or Multani Shroffs, Chettiars of the Madras province, Marwari of Rajasthan, Kayas of Assam, Pathan and Rastogi Bankers of UP. Thus the major concentration of indigenous bankers is seen in the west and south of India.

Indigenous banking was a combination of commission agents in the trade of cloth, grains, etc. and also the money lenders at times of need for the poor. This money lending

business was based on the security of precious items like Gold and Silver and very huge interest burdens. It was the extraction of money by way of heavy interest and the penalties for the poor. In the framework of trade and business, local bankers utilized a variety of instruments such as Hundis (Darshani Hundi and Muddati Hundi), and I owe you (IOU). However, these private banking practices were heterogeneous and uncontrolled. The indigenous bankers culminated in the formation of three Presidency Banks which were put together as the Imperial Bank in 1941 and later on in the State Bank of India in 1955.

#### **1.4.4 Banking in India during British Times**

British ruling India for about 150 years has had an impact on various aspects of the economy. The railways were introduced to facilitate transportation in 1853. Most of the then aspects of the legal structure have British origin even the judiciary operated just on lines with British systems. Even the educational pattern in India was highly dominated by the British system of education, particularly, higher education had adopted the university and affiliated college model on British lines. Similarly, the banking system in India has many British imprints. The three presidencies – Bombay, Madras, and Kolkata were created by the British Empire for ease of administration. The presidency towns namely Bombay, Madras and Kolkata needed a banking system to collect the revenue for the British Government. Thus, the presidency banks were functioning as the government's representatives during British Times. In 1941, however, these three presidency banks were merged to form the Imperial Bank of India. Yet under the British Raj, in 1955, the Imperial Bank of India was transformed and renamed the State Bank of India, after India's independence. Wherever the RBI office was absent the State Bank of India assumed the role of the banker of the Government. Indian Independence was on the horizon and the Reserve Bank of India was created in 1935. Although the princely states were merged after 1951, in India, the State Bank of India had adopted as many as eight different subsidiaries like State Bank of Bikaner, State Bank of Mysore, etc. as princely state banks into the State Bank of India

#### **1.4.5 About RBI: -**

The Royal Commission on Indian Currency and Finance (Hilton Young Commission) reported to the National Legislative Assembly in 1926. The RBI Act was approved in 1934, and the RBI was created on April 1, 1935, following the First World War. The head office of RBI was originally located in Kolkata but was relocated to Mumbai in 1937. RBI was once privately owned, but after nationalization, it was taken over by the Government of India on January 1, 1949. The Banking Companies Regulation Act of 1949 gave RBI a slew of new powers. According to law, RBI's major role is to issue bank notes, and for India's stability, they also hold the reserve with them to control the country's currency and for the benefit of the people.

#### **1.4.6 Important stages of Development:**

the Banking Regulation Act, of 1949 empowered the Reserve Bank of India (RBI) to regulate, manage, and inspect Indian banks. No new bank or branch of an existing bank may be established without first obtaining a license from the RBI and no two banks may have the same board of directors, according to the Banking Regulation Act.

Bank nationalization was enacted in 1969. In January 1949, the Reserve Bank of India became the first bank in India to be nationalized. Fourteen main commercial banks were nationalized on July 19, 1969. The Bank of India, PNB, and several other institutions were nationalized, as part of this process. As part of the second round of nationalization, six more commercial banks were nationalized in 1980. Corporation Bank and Vijaya Bank, a new Indian bank, were among them. Bank nationalization is being demanded a variety of reasons. These were associated with the success of large corporations and industries. Furthermore, exports, agriculture, and small-scale industry were all behind. Money lenders in India used to exploit the impoverished classes. When banks were nationalized, all of these concerns were considered. For rural areas of India, Regional Rural Banks (RRBs) were also found. The purpose was to help a large number

of impoverished rural residents. In addition, the unique needs of industries including foreign trade, housing, and agriculture were met. To address this, NABARD, NHB, SIDBI, and EXIM were founded. 14 main commercial banks were nationalized on July 19, 1969. This was Prime Minister Shrimati Indira Gandhi's big decision, and it was one of the most important banking decisions ever made. The banking business in India is dominated by Public Sector Banks. When the country became independent, people could get loans for small businesses, agriculture, home loans, automotive loans, travel, and education. Farmers secured a loan from a nationalized bank rather than a "Savkar" for the first time. The "Savkaris" in the hamlet were similar to affluent businessmen's private banks in the metropolis, which were nationalized and closed down. Additional six banks were nationalized in 1980, under the leadership of Reserve Bank Governor I.G. Patel. The branches of the nationalized banks began in several communities, with the total deposits of the banks increasing to 92 per cent. The economic crisis of 1991 compelled India to approach IMF for financial support. The International Monetary Fund granted India a conditional loan against 47 tonnes of gold in 1991, on the condition that it adopts liberalization, globalization, and privatization. The decision to nationalize banks has become 50 years old on July 19, 2019. This is a significant position in the banking industry's history. As a result of nationalization, the banking industry has improved. Financial services became more available to the general public when banks were nationalized. Bank nationalization, on the other hand, has a lot of detractors in today's environment.

#### **1.4.7 Bill Market Scheme, 1952: -**

The Reserve Bank of India launched the bill market initiative in January 1952. Under this arrangement, the Reserve Bank agreed to lend money to commercial banks in exchange for promissory notes secured by invoices from its constituents or customers. Until 1952, banks could only obtain additional funds from the Reserve Bank by selling government assets to it. However, under the bill market arrangement, a bank can now lend money to its customers in exchange for promissory notes and then borrow money from the Reserve Bank with those same promissory notes. All that is required of the



bank is for these promissory notes to be converted into 90-day promissory notes. As a result, the Reserve Bank's lending window for banks was supposed to be expanded by allowing them to borrow even after converting conventional commercial credit into eligible bills. In 1926, the Royal Commission on Indian Currency and Finance (Hilton Young Commission) made recommendations to the Central Legislative Assembly, which led to the passing of the Reserve Bank of India Act, 1934, and the founding of the Reserve Bank of India in 1935.

#### **1.4.8 Selective Credit Control, 1956: -**

By employing selective or qualitative credit management strategies; the RBI supports the flow of credit to specified types of industries while discouraging the use of bank credit for other reasons. This technique encourages credit for important purposes while discouraging credit for non-essential ones. As a result, these measures not only prevent credit from flowing into bad channels but also redirect credit to beneficial channels.

#### **1.4.9 The Deposit Insurance Scheme, 1960: -**

Deposit insurance was introduced in India after the bankruptcy of Laxmi Bank in 1960, followed by the failure of the Palai Central Bank. The Deposit Insurance Corporation (DIC) Bill was introduced in Parliament on August 21, 1961, and the President approved it in December of that year. Commercial banks that were open for business were the first to benefit from the Deposit Insurance Scheme. Deposit insurance was viewed as a way to safeguard depositors, especially small ones, from losing their money if a bank failed.

#### **1.4.10 Co-operative Banking in India:**

The spirit of cooperation is very much in the blood of Indians. However, the formal co-operative movement was launched by Mahatma Gandhi in 1904. The states like Maharashtra, Uttar Pradesh, Tamilnadu and Punjab are the big pockets of the cooperative movement successfully established over the last 100 years. In Maharashtra state, the

legislation for cooperatives was passed as early as 1925. After independence, the Maharashtra Cooperatives Act was passed in 1960 to govern and control the cooperative organizations in the state. The cooperative spirit was ignited with the rural masses in different forms like Primary Agricultural cooperative societies, cooperative dairies for milk products, cooperative farming and bee and honey collection, etc. Further, the credit cooperative societies were launched to develop initial banking habits in the masses. On the other hand, the cooperative movement was also spread in the urban areas in the form of cooperative housing societies, industrial cooperatives, etc. The credit cooperative of a rural area is taken up on a major scale in the urban areas in the form of urban cooperative banks. Today many leading urban cooperative banks have completed their successful operations even over 100 years. The ladder of cooperatives starts with Primary Agricultural Cooperatives, Credit Cooperatives, Urban Cooperative banks, District Cooperative Banks, and State Cooperative banks under the control of the Reserve Bank of India.

#### **1.4.11 Co-operative Banks under RBI's Control, 1966: -**

Co-operative banks were subsequently brought within the RBI's regulatory jurisdiction. In March 1966, cooperative banks with a paid-up share capital and a reserve of Rs 1 lakh or more were brought under the Banking Regulation Act, 1949, and became subject to Reserve Bank regulation.

#### **1.4.12 Commercial banking in India: -**

The network of banking of any nation is mainly its commercial banks. Though the central bank of the nation controls the overall banking functions of the nation, commercial banks reach out to the masses. The banking business is mainly dependent based on the Latin term "*Uberrima Fides*" which means the total confidence of the customers in the system. In the case of the banking business, the customers will deposit their hard-earned amounts and savings into the bank only up-till the time they have complete faith in the banking

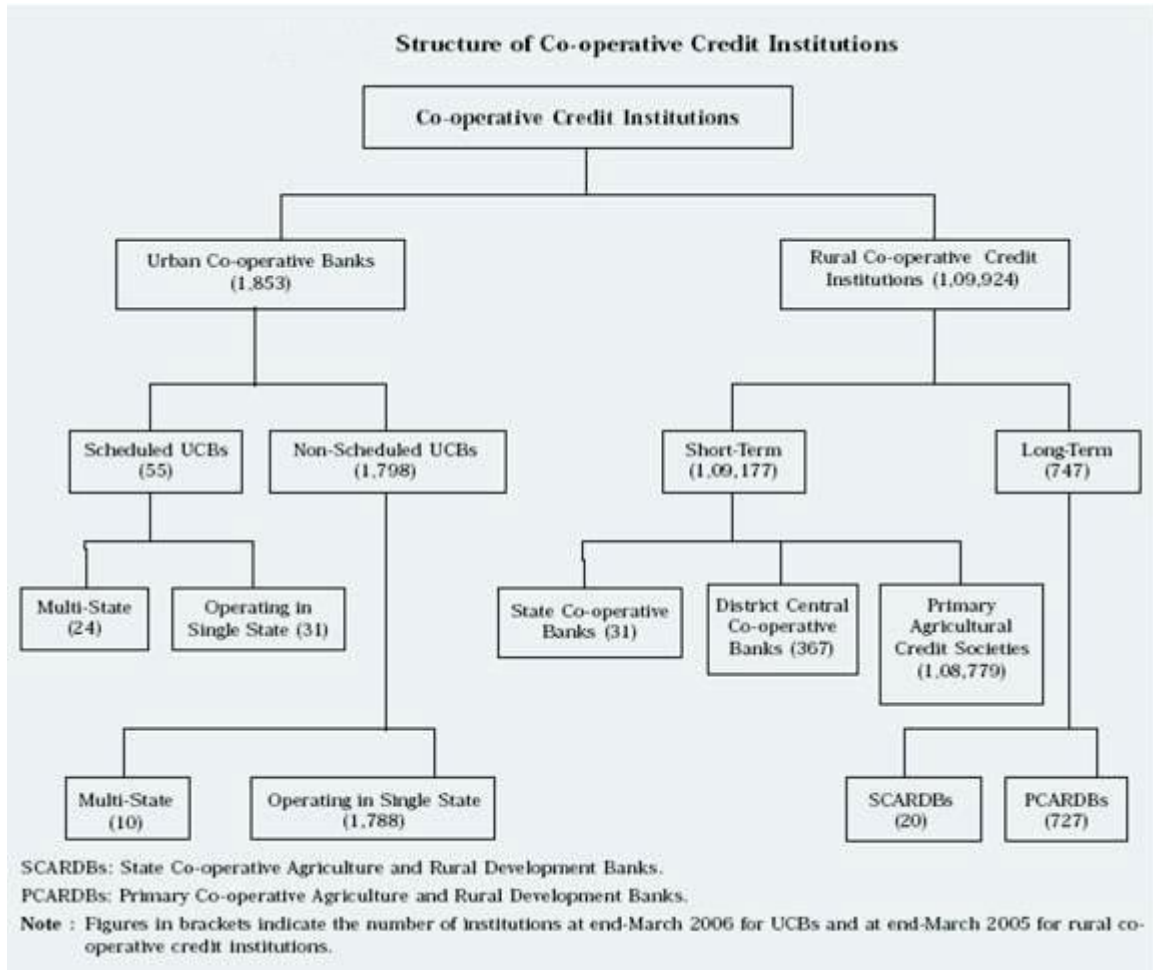
system. The moment they lose confidence in any bank there will be a “*Run on a Bank*” which means everybody will run to withdraw his/ her deposits. Under the broad umbrella of RBI, the entire banking network is created and monitored in India. Every bank is a commercial bank to collect deposits (liabilities) and distribution of loans and advances to the needy sectors. The difference between the interest paid for deposit liabilities and the interest earned in such commercial operations is called the “*Spread*” of the bank which is the gross profit of the bank. Besides this main banking business, there are many other non-fund transactions through various services provided by every commercial bank to facilitate trade and commerce. The Banking Company’s Regulation Act 1949, is the main regulating law over the commercial banks in India but besides there are many other laws related to banks as follows-

- The Indian Contract Act, 1872
- The Sale of Goods Act, 193
- The Company’s Act, 1956 and 2013
- Foreign Exchange Management Act 2000
- Information Technology Act, 2000
- Prevention of Money-laundering Act, 2002
- SARFAESI Act, 2002
- Right to Information Act, 2005.

Commercial Banking in India has travelled a long journey of banking. After attaining independence in 1947, major commercial banks in India were nationalized in 1969 and 1980. Further specialized banks in agricultural banking and export-import business were created in 1982. Yet another milestone in commercial banking was crossed in 1992 when private banks like ICICI Bank, IDBI Bank and Axis Bank were launched.

Retail Banking is yet another chapter in the banking history targeting individual customers focusing on a mass-market segment. Retail banking has both a physical and a virtual delivery strategy. It is technology-driven onsite through delivery channels and also offline delivery like ATM, Mobile Banking, etc. It extends to small and medium-sized

businesses. In short, retail banking is with multiple products, multiple customer groups, and channels of distribution.



**Figure 1.1 Structure of Co-operative Credit Institutions**

Source: - <https://www.economicdiscussion.net/india/cooperative-banking/cooperative-banking-in-india-history-structure-importance-and-weaknesses/31365>

**1.4.13 Nationalization of Banks, 1969:** - The Reserve Bank of India was the first bank in India to be nationalized in January 1949. In addition, the State Bank of India was established in 1955, followed by the formation of its eight subsidiary banks in 1959. The Bank of India, the Punjab National Bank, the Bank of Maharashtra, the Bank of Baroda, and several other institutions were nationalized in July 1969.

**The First Phase:** On July 19, 1969, 14 major commercial banks were nationalized. Shrimati Indira Gandhi, India's then-Prime Minister, made this historic economic and political decision. As a result, public sector banking began to emerge in India and play an increasingly important role in the banking system. Private Banks were operated by affluent business families before nationalization.

**The Second Phase:** In 1980, six more, major commercial banks were nationalized in response to strong economic growth and government goals. Nationalized banks were the first to open rural branches. As a result, their network of banking expanded significantly. The total deposits of nationalized banks increased by 92%. As part of the second wave of nationalization, six more commercial banks were nationalized in 1980. They included Vijaya Bank, Andhara Bank, Corporation Bank, and others. For a variety of reasons, the second phase of bank nationalization was required. These financial institutions cater to the needs of major enterprises and industries. Money-lenders used to take advantage of the poor in India. As a result, the expansion of the banking network to reach numerous of these places was contemplated during the second phase of bank nationalization. RRBs (Regional Rural Banks) was established. The goal was to reach out to large groups of underserved rural residents.

**The Third Phase:** The Indian economy was hit by a severe economic downturn in 1991. The economy's foreign exchange reserve has plummeted to its lowest level in history, providing only enough cash for the next two weeks. There was no choice but to adopt strict economic discipline and take out loans from the World Bank and the International Monetary Fund. In 1991, India obtained a conditional loan.

**1.4.14 CRR/ SLR requirements, 1978:** - The Reserve Bank of India has prescribed statutory returns, namely Form A Return (for CRR) under Section 42(2) of the Reserve Bank of India (RBI) Act, 1934 and Form VIII Return (for SLR) under Section 24 of the Banking Regulation Act, 1949, to monitor compliance with statutory reserve requirements viz. CRR and SLR by Scheduled Commercial Banks (SCBs).

**Cash Reserve Requirements (CRR)** - To maintain monetary stability in the country, the Reserve Bank, by Section 42(1) of the RBI Act, 1934, prescribed the CRR for SCBs without any floor or ceiling rate. Maintaining the CRR—Effective from the fortnight beginning February 09, 2013, the CRR was set at 4.00 percent of a bank's total DTL adjusted for exemptions.

#### **1.4.15 Statutory Liquidity Ratio (SLR)-**

The Banking Regulation (Amendment) Act, 2007, made a change to Section 24 of the Banking Regulation Act, 1949, which superseded the Regulation (Amendment) Ordinance, 2007, which took effect on January 23, 2007. The Reserve Bank can prescribe the SLR for SCBs in specified assets. An SCB's assets must be worth at least 40% of its entire Deposit Time Liability (DTL). Another six banks were nationalized in 1980-81. The second stage of nationalization occurred in 1980, when Punjab and Sind Bank, Oriental Bank of Commerce, Corporation Bank, Andhra Bank, New Bank of India, and Vijaya Bank were nationalized. The key reason for this was the distribution of government financing.

- Formation of EXIM Bank & NABARD, 1982
- Private banks formation and registration, 1993
- Raising of Capital for banks allowed by RBI, 1994
- Demonetizations of currency 1966, 1978, 2016.

#### **1.4.16 Functions of the Reserve Bank of India: -**

The RBI has the sole right to issue notes and it also acts as a Banker to all other commercial banks in the nation. The currency notes are printed at the “Currency Note Press”, Nashik and “Bank Note Press” at Devas, MP. These currency presses are owned by the Government of India whereas the coins are manufactured in the Mints located at Kolkata, Mumbai, Hyderabad and Noida. The RBI performs the tasks of issue, distribution and management of currency. The denominations, design and contents of the bank notes are determined by the Government of India based on recommendations of the research and development department of RBI. The new and fresh notes and coins are supplied to the issue offices by the currency press and mints for distribution. Currency Chests and branches of various banks scattered throughout the nation are at the receiving end. In turn, the soiled and mutilated notes (Bad Currency) are treated as unfit currency for circulation. RBI has constant vigilance over such unfit currency and such currency is received back by the RBI directly as well as the network of all the other banks for destroying the same. The coins under withdrawal as soiled or damaged coins are sent to the mints for destruction and recycling for the creation of new coins. It is also to supervise the commercial banks and other Financial Institutions including the state cooperative banks and other sectors of banking business in the nation. Further, with the economic development, the urgency of the range of functions of The Reserve Bank of India has widened. The RBI is also then after to promote the variety of developmental and promotional activities in the banking business of the nation.

Besides the purely regulatory function, the Reserve Bank of India is expected to develop the banking habits and extend the banking system in the various borders and corners of the nation. Thus, the Reserve Bank of India took the initiative to set up the deposit Insurance Corporation in 1962 and the Unit Trust of India in 1964. Over the years, the RBI has had extensive powers in banking for supervision and control over the other banks. Given several undesirable features in banking practices and to protect the interest of the depositors in general, the RBI has come under the Banking Regulation Act, in replacement of the formally known The Banking Companies Act, 1949

Except for Rupee 1 coins and notes, the Reserve Bank of India is the only authority for the issuance of money in India. It is the Issue Department of The Reserve Bank of India which is having the sole responsibility for the issue of currency notes in India.

The most important function of The Reserve Bank of India is the banker with the government. The Reserve Bank of India, as the government's banker, is responsible for issuing fresh loans and treasury bills ways and means advances, as well as acting as a financial counsellor to the government. Monetary regulation in the banking system is another Prime responsibility of The Reserve Bank of India. The credit creation by all other commercial banks, its scope and its control is made through the monetary and fiscal policies of The Reserve Bank of India. The Bill market scheme is yet an important landmark in the history of banking in India. Today the statutory liquidity ratio and other controls like open market operation, and selective and direct credit regulation are some of the important measures taken up by the Reserve Bank of India.

As a part of the supervision function of The Reserve Bank of India, the licensing of Banking, Capital Reserve and liquid assets, branch licensing policy, an inspection of banks, control over the management of commercial banks and other controls over the banks including the amendments and schemes of arrangements or rearrangements, reconstruction of banks are some of the important measures as supervision function of The Reserve Bank of India.

Rural credit facilities and control are yet another important activity of The Reserve Bank of India. The Reserve Bank of India has made significant contributions in the areas of rural credit survey, cooperative credit structure, agricultural credit board, and agricultural and non-agricultural finance in the short, medium, and long term. Along with the field of agriculture, Industrial Development through industrial finance has also been another important feature of the activities of the Reserve Bank of India. Promotion of Industrial Finance Corporation of India Ltd, State Finance Corporation, Industrial Development Bank of India, IDBI and other schemes of financing and refinancing of industrial loans scheme of medium-term, export credit, direct assistance to industries, direct finance for exports. Rediscount assistance is some of the important features of RBI as activities toward industrial finance



To carry out various functions and activities the Reserve Bank of India has created a giant organizational structure. The Central Board and local boards are at the apex. There are offices and branches of The Reserve Bank of India throughout the nation. The various functions are carried out through various departments of The Reserve Bank of India like the Banking Department, the Issue Department, the Central Office Department, the Economic Intelligence Department, etc.

The changing paradigm in the banking sector in India is worth noting. From traditional banking to anywhere banking, Tele-banking, Internet Banking, E-banking E-business, etc., we observe that the use of Technology and Services in the field of Banking have changed the banking sector in India.

## **1.5 Study of Reports on the Banking Sector in India**

1.5.1 Talwar Committee Report (1975)

1.5.2 Narsimham Committee Report I & II (1991&1995)

1.5.3 Raghuram Rajan Committee Report (2007)

1.5.4 Developments of Small Finance Banks

### **1.5.1 Talwar Committee Report (1975): -**

After the nationalization of leading commercial banks in the nation, it was essential to expand the network of banking throughout the nation. Mr R.K. Talwar the fifth chairman of the State bank of India was invited by the RBI to take up the issue of customer services of nationalized banks in 1975. The network of nationalized banks focused on cities and metros had to be taken into the internal parts of India. The banks were advised to establish customer service committees at the branch level to get first-hand feedback and expectations from customers. Accordingly, a huge network of branches of nationalized banks was made possible. Even later on in the 21st century, the RBI has been following the recommendations of the Talwar Committee Report through its DBOD Department.

Still, further, RBI had appointed other committees like the “Goiporia Committee” for reviewing the customer services in banks.

### **1.5.2 Narasimham Committee Report I & II (1991 &1995): -**

Against the backdrop of the changing economic situations of the 1980s in India, it was felt essential to have financial sector reforms. The government of India therefore, set up an expert committee under the chairmanship of Dr Narasimham as this committee submitted its reports in two stages 1991 and 1998. These reports are noted as a turning point in the economic history of India. The economic liberalization of 1991 was triggered up furthermore because of this report. The entire banking system particularly the banking sector has been focused on the study of this committee. Different issues like the size of the banks, and capital adequacy ratio have been the important outcomes of this committee. Moreover, the role of RBI as a regulator of the monetary system has been highlighted by this report later on the establishment of the National Housing Bank, NABARD and their role have also faced a lot of change. The concept of non-performing assets was also under trial and later on, the restructuring of NPA came out with legal support of the Securitisation Act, 2002. The capital adequacy ratio also was raised from 9% in 2000 to 10% in 2002 and was further raised to 11% for all the banks.

### **1.5.3 Raghuram Rajan Committee –**

RBI Governor Raghuram Rajan is noted as the architect of small finance banking in India. In April 2016, Dr. Rajan said that SFBs would be the right model to extend loans to small businesses not reached and served by large banks. The SFBs will create a revolution in the banking sphere. He thought that the small businesses must have a level playing field and hence the banking support specially designed for the micro borrowers is a need of the hour. RBI had received 72 applications for opening SFBs and 41 applications for payment banks. Big industrialists like Aditya Birla, Airtel, Tech - Mahindra, Vodafone, and DHFL, to name a few was the aspirants. In August 2015 therefore, RBI had given in-principal license to 11 payment banks to start banking

operations within 18 months. Such SFBs will not pose any threats to the existing banks but will expand the network of banking in the unbanked areas.

Over the last seven decades, the RBI has sought guidance on various aspects of banking through various committees and commissions. Several topics in financial reforms and innovations in banking have been handled through such committees.

Following is the illustrative list of committees and commissions on various aspects of banking, which are treated as the milestones in the history of banking in India.

- Bimal Jalan Panel Examining new bank license applications
- Dave Committee (2000) Pension-related programs In the Unorganized Sector
- Deepak Mohanty Committee on Data and Information Management in the RBI
- The Ajay Shankar Committee is in charge of examining the functioning of the PPP cell.
- Abid Hussain Smaller Industry Committee
- Aditya Puri Committee Dissemination of Credit Information
- The James Raj Committee contributes to the smooth operation of public-sector banks.
- Bank supervision by the Basel Committee
- Reconstruction of RRBs by the Bhandari Committee
- Bhide Committee Coordination of SFCs and commercial banks
- The C Rangarajan committee is working to reduce the country's poverty rate.
- The Cook Committee to examine banks' capital sufficiency.
- Damodaran Committee Improving Bank Customer Service
- The SN Verma Committee (1999).

#### **1.5.4 Developments of Small Finance Banks:**

RBI constituted an internal working group to control and monitor the functioning of such SFBs under the leadership of Mrs Usha Thorat, Deputy Governor RBI. SFBs are registered as a Public Limited Company under Company's Act. They are licensed under

section 2 of the Banking Regulation Act 1949; additionally, they are also governed under RBI Act 1934, FEMA Act 1999, Payment and Settlement Systems Act 2007 and also DICGC Act 1961. The objectives of SFBs are financial inclusion by promotion of savings and supply of credit to the very small and micro organizations in the unorganized sector. Accordingly, the SFBs have come into existence. The RBI has laid down prescriptions like capital requirements, promoter's contribution, stock exchange listing, foreign shareholding, voting rights, business plans, and corporate governance. Thus, in short, SFB is a new initiative in banking in India with a promising future.

## **1.6 Development of Microfinance Institutions in India**

### **1.6.1 Introduction**

Microfinance is an essential and new concept in the financial sector that provides people with efficient monetary services. Micro financing is aimed at individuals and small businesses that are unable to obtain traditional banking and related services due to a lack of documentation and income restrictions. Since the 18th century, modest micro-lending operations have existed. In the 1730s, an Irishman named Jonathan Swift invented micro-lending, which was defined as a little amount of money loaned to low-income persons and credited to the Irish Loan Fund. Friedrich Wilhelm is credited with inventing the cooperative self-help philosophy. In 1872, he established the first rural central bank in Neuwied, Germany. The bank has touched 2 million rural farmers as a result of this two-movement in 1901. The 'Caisse Populaire movement,' which focuses on microcredit loans for small farmers, was founded by Alphone and Dorimene Desjardins in Quebec in 1900. The movement's primary purpose was to alleviate poverty. The current version of microfinance attracted the world's attention in 1970. The "Grameen bank model" was founded by Mohammad Yunus in Bangladesh to reduce poverty. The model's successful mechanism has encouraged several major banks and other microfinance investors. Blatchford Joseph, a UC Berkeley law student and former head of the Peace Corps, has also employed the microfinance concept well. Blatchford established a nonprofit organization to investigate the impact of poverty. Accion is a

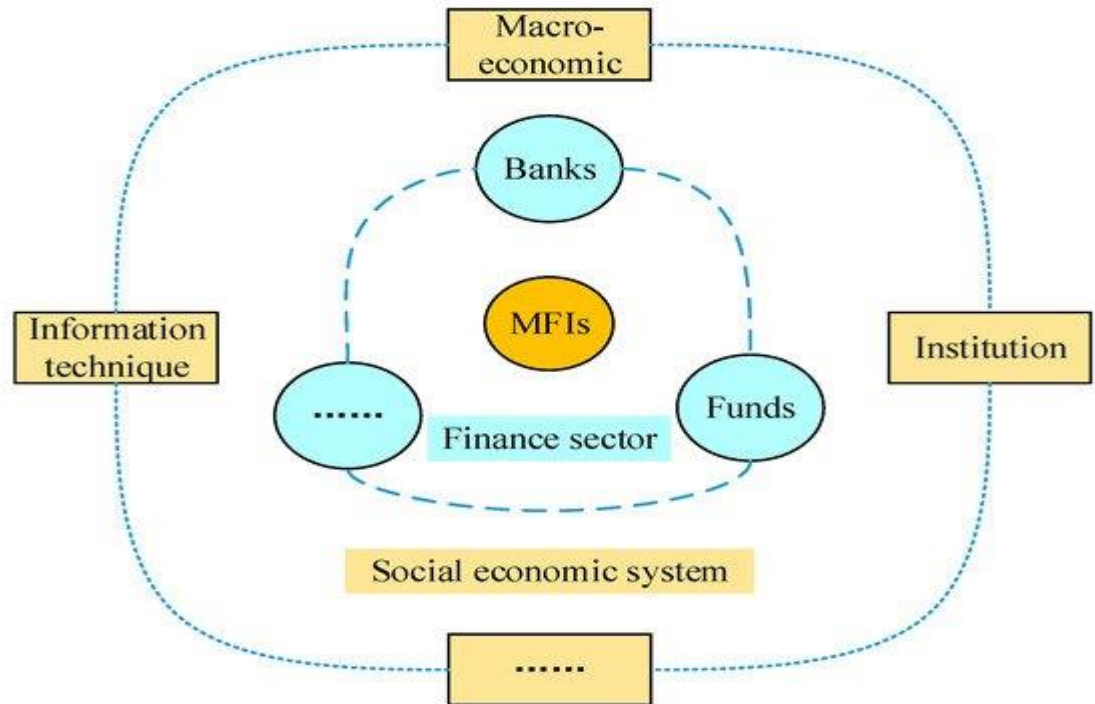
volunteer-run organization that began offering small loans to Brazilian entrepreneurs in 1961 and 1973. As a result of this operation, 885 loans have resulted in the creation of 1386 new jobs. It then expanded to 14 additional Latin American countries after that. Group-based microenterprise lending began to focus on loans for income-generating activities targeting impoverished borrowers in the mid-1970s. Following that, numerous additional microfinance organizations, such as Bancosol in South America and ADIE in Europe and the Mediterranean Basin, sprung up in various nations. The year of the growth of microcredit in the early twenty-first century is remembered. In Washington, D.C., the inaugural microcredit summit was held in 1997. In acknowledgement of microcredit's contribution to poverty eradication, the United Nations Economic and Social Council proclaimed 2005 the Year of Microcredit. The official slogan for the year 2005 was "Building inclusive financial sectors to accomplish Millennium Development Goals," and it was translated into six other UN official languages. (United Nations Children's Fund (UNCDF), May 2006).

The five objectives of the International Year of Microcredit are as follows:

- Make microfinance more visible for public knowledge and comprehension as an important component of the development scenario.
- The promotion should be inclusive of the financial industry.
- Create a supportive structure for long-term access to financial services.
- To increase the reach and effectiveness of microfinance for all people.
- Encouragement of collaboration and innovation should be used to implement and support strategic partnerships.

As a result, most nations have begun to promote microfinance as a rural development panacea as well as a constructive rural development solution. This led to the more sustainable development of developing and impoverished countries, as well as a more balanced development of the area. In 1970, microfinance began as a small agricultural credit and then expanded to include donor-funded projects, sustainability, and institutions in the 1990s after 2000, new technology, new players, and private investors

joined the mix, propelling microfinance toward the country's inclusive financial growth.



**Figure 1.2 MFI and Social Economic System**

Source: - Xu W, Fu H, Liu H. Evaluating the Sustainability of Microfinance Institutions Considering Macro-Environmental Factors: A Cross-Country Study. Sustainability. 2019; 11(21):5947. <https://doi.org/10.3390/su11215947>

**Table 1.1 Bank group-wise major indicators**

(Percent)					
<b>Period</b>	<b>Ratio</b>	<b>Public Sector Banks</b>	<b>Private Sector Banks</b>	<b>Foreign Banks</b>	<b>Small Finance Banks</b>
2018-19	CD ratio	69.44	88.26	68.26	120.91
	Demand and savings deposit to total deposit	39.5	41.46	39.81	18.71
	Deposit Growth	2.71	25.1	17.45	112.95
	Priority sector to total advances	32.7	30.21	27.08	68.32
	Advances Growth	3.43	24.96	13.02	70.48
	ROA	-0.65	0.63	1.56	1.59
	ROE	-11.44	5.45	8.77	12.59
	GNPA ratio	11.59	5.25	2.99	1.83
2019-20	CD ratio	68.06	87.16	62.56	109.81
	Demand and savings deposit to total deposit	39.93	41.36	42.07	15.35
	Deposit Growth	6.62	10.32	17.73	67.73
	Priority sector to total advances	31.87	30.92	27.08	71.79
	Advances Growth	4.5	8.95	7.9	52.33
	ROA	-0.23	0.51	1.55	1.7
	ROE	-4.16	3.3	8.76	15
	GNPA ratio	10.25	5.45	2.34	1.87

Source: - Statistical tables relating to banks in India, March 2020.

RBI Website:

[https://www.rbi.org.in/Scripts/BS\\_ViewBulletin.aspx?Id=20442#:~:text=Small%20Finance%20Banks%20\(SFBs\)%20are,marginalised%20sections%20of%20the%20society.](https://www.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=20442#:~:text=Small%20Finance%20Banks%20(SFBs)%20are,marginalised%20sections%20of%20the%20society.)

Microfinance provides small loans to the poorest of the poor to help them meet their financial needs.

**The following is a simple summary of microfinance's history:**

- Microfinance 1961: The ACCION was founded in 1961 by Joseph Blatchford. It was discovered in Venezuela with a private investment of 90,000 dollars.
- 1971: Al Whittaker and David Bussau created Opportunity International to provide microcredit in Indonesia and Columbia. They began expanding their business in South East Asia and South America in 1979.
- 1976 was a watershed moment in the history of microfinance. Prof. Muhammad Yunus, a Bangladeshi economist, has worked to better the lives of 42 families who were living in poverty.
- 1983: Prof. Yunus establishes the Grameen Bank Model in 1983. Grameen has made over \$6 billion in loans (to 7.4 million Bangladeshis). Its tactics, which include group financing, an emphasis on women, and high payback rates, have established the foundation for modern microfinance.
- 1992: BancoSol, a microfinance institution in Bolivia, is founded with the support of ACCION.
- 1997: Tanzania's National Microfinance Bank (NMB) is established in 1997. Meanwhile, as part of its push to embrace social investing, Deutsche Bank has entered the microfinance market. In addition, the Grameen Foundation was created in the United States.
- 2000: Bolivia's Banco Sol microfinance bank becomes a regulated bank in the year 2000.
- 2001: In the Philippines, a microenterprise was established to assist rural bank microfinance loan borrowers in gaining access to banking services.
- 2005: The United Nations has designated 2005 as the International Year of Microcredit.



- 2006: The Microfinance Summit Campaign Reports enlarged the microfinance working space in 2006. Prof. Yunus receives the Nobel Peace Prize for the success of the Grameen bank model.
- To facilitate microfinance lending in Africa and Asia, International Finance Corporation as a part of the World Bank announces a \$45m investment in credit-linked notes to be issued via Standard Chartered bank.
- 2008: Microfinance continues going mainstream. The concept of the online client has developed.
- 2015- New branchless banking rules and microfinance law implemented.

Microfinance isn't a brand-new concept. Small-group savings and credit providers have existed for millennia, but they were known by many names, including "**Susus**" in Ghana, "**Tandas**" in Mexico, "**Chit funds**" in India, "**Arisan**" in Indonesia, "**Cheetu**" in Sri Lanka, "**Tontines**" in West Africa, and "**Pasanaku**" in Bolivia. Most countries around the world have been promoting microfinance as a rural development alternative in recent years. As part of the financial sector, microfinance facilitates the benefits for investors and investors who play a critical role in providing short and long-term loans to small business owners. Although microfinance is one of the most discussed terms in the economy, it causes even more uncertainty among banks and policymakers due to its broader definition and applications. Microfinance has shown to be an effective strategy for addressing and resolving economic challenges such as poverty, empowerment, and gender equality.

### **1.6.2 Definition of Microfinance:**

Microfinance is a financial service that offers loans, insurance, and savings to small business owners and entrepreneurs that are disregarded by traditional financial institutions, as well as stakeholders. Its main goal is to offer low-income people financial assistance to meet their basic needs and to start small businesses to ensure their long-term economic viability. Microfinance offers hope to disadvantaged dreamers looking for a way to build their economic development and ensure their long-term survival.

(Rissa Ann, 2018) Micro-financing has been low-income financial services are described as financial services that are available to low-income persons. According to Western Union, this form of financing helps ambitious entrepreneurs produce revenue, grow assets, manage risks, and satisfy their family requirements. Microfinance is a broad range of services consist microloans, micro-credits, micro-savings and micro-insurance provided to low-income people for their microenterprises and small business which helps them to raise their income and living standard.

Microfinance is a multi-faceted component that aids in poverty reduction. It raises household income, resulting in increased food security, asset accumulation, and children's educational attainment. Microfinance is also the safest option for investors because it covers both credit and savings. (2019, Qazi) Microloans do give people the flexibility to use large sums of money to supplement their incomes and reduce their vulnerabilities.

Microfinance has traditionally placed a greater emphasis on poverty reduction, with classic MFIs consisting only of non-governmental organizations (NGOs), specialized microfinance institutions, and public sector banks. Some non-profit MFIs are now turning their operations into profit-seeking institutions to increase their strength, long-term viability, and market share. Consumer financing corporations such as GE Finance and City Finance have seized the market to MFIs' advantage. Big box consumer stores such as Wal-Mart, Elektra, and Tesco have begun to emerge as consumer lenders, with a few going into microfinance.

The most essential contribution of microfinance is that it provides non-grant-based societal upliftment and development. People are realizing that formal credit is more significant and yielding than donations due to microfinance. It builds low-income people's confidence and their understanding that they can progress on their terms rather than relying on subsidies or help.

### **1.6.3 Characteristics of Microfinance:**

- The majority of borrowers come from low-income families.
- Loans are approved and disbursed quickly. This system includes the group-based guarantee system as well as the group-based borrower system.
- The loans are usually returned at a lower interest rate;
- The majority of microloans are utilized for small companies and entrepreneurship programs, which improve their income-generating activities.

### **1.6.4 Services provided by Microfinance:**

**Microloans:** -often known as microcredit, are small finance loans. Small entrepreneurs in poor nations are given these loans to help them run their businesses successfully, microloans for basket manufacturing, sewing, street vending, and poultry farming account for about 35% of all microloans. MFIs must charge such low-interest rates to offset the greater costs associated with labour-incentive microloans.

**Micro savings:** The habit of saving creates a future contingency fund for people. It enables individuals to keep the required minimum amount in their accounts, individuals profit from these savings for a variety of reasons, including weddings, children's schooling, and retirement income.

**Micro-Insurance:** Because the future is uncertain, insurance is the most significant component in anyone's life. Micro-insurance gives exceptional exposure to insurance policies with low premiums. Micro-insurance is similar to standard insurance policies. it covers natural calamities such as mudslides, as well as some health-related risks. In 2002, the CGAP working group on microfinance donor organizations, agencies, NGOs, private insurance businesses, and other interested parties launched the first micro-insurance network. Microfinance's major purpose is to alleviate poverty and improve people's financial situations. Microfinance aimed to help low-income persons who wanted to start their businesses and engage in small-scale production.

## 1.7 Microfinance in different countries:

### **Bangladesh:**

Bangladesh is the birthplace of the microfinance revolution. Because of its remarkable success rate, Muhammad Yunus' Grameen bank concept has attracted the interest of the entire world. It was created in 1976 to help the needy in rural areas, with easy access to credit through banking. This bank has 2600 branches and 900 million borrowers with a repayment ratio of 99.6% as of 2017. Grameen Bank focuses on 16 issues, including discipline, unity, and prosperity, as well as education, injustice, and social welfare.

In the context of Bangladesh, a book issued by the World Bank titled "**Beyond Ending Poverty**" looked at how microfinance organizations have sustained benefits for reducing poverty and increasing income production activity over the last two decades. Microfinance in Bangladesh is based on a group-based savings and lending scheme. According to a recent survey, MFIs in Bangladesh have covered around 32 million members with credit loans totalling \$7.2 billion.

Microfinance has resulted in a 29 percent rise in income from household activities. In Bangladesh, modern microfinance today focuses on saving and insurance, micro-enterprises, and productive growth, with the main goal of diversifying the borrower's money across several economic activities. Because many low-income people are unable to obtain loans from MFIs due to religious views and prohibitions, the government must play a significant role in assisting people in achieving socioeconomic growth. Bangladesh has developed a policy to gain increasingly more benefits from MFIs, which comprises the following key points:

- Enhancing skills and giving marketing opportunities: Development requires more than just a solid credit facility. It is also necessary to give good market chances. People's skills can be improved through skill training, capacity building, and supportive actions.

- Interest Rates: For MFIs, interest rates are a critical determinant in recouping costs. MFIs charge lower interest rates than informal money lenders, but they should nonetheless, be more accessible to both lenders and borrowers.
- Why should MFIs be encouraged to compete? The MFI network is vast and dispersed throughout the country.
- Managing Risk: Managing small financial transactions is expensive for financial organizations; hence lowering transaction costs are necessary. Both sides must reach a mutual agreement.
- Effective use of limited resources: MFIs cannot be relied on indefinitely.

Different conceptions of microfinance must be developed with MFIs. Bangladesh has established the Bangladesh Rural Development Board (BRDB), the Credit and Development Forum (CDF), and the Credit Information Bureau (CIB) as a result of this agreement.

**Canada:** -Microfinance is carried out in Canada with the assistance of credit unions. These credit unions offer financial services to persons who are unable to obtain financing through traditional financial institutions. Credit unions have two different branches to serve the financially disadvantaged members of society. In the year 1900, Alphonse Desjardins launched agricultural saving and lending services for long-term financing. Credit unions were established in Nova Scotia by Dr. Moses Michael Coady. There are a few MFIs that are doing well in Canada, and they are as follows:

- Montreal Community Loan Fund: This organization was established to give finance and technical assistance to low-income entrepreneurs seeking credit for business start-ups or expansions that have been overlooked by the conventional financial sector. This organization's major goal is to aid in the eradication of poverty.
- Vancity: It was founded in 1946 as an open-bound credit union and is known as Vancouver city savings credit union. Its primary goal is to provide financial services such as consumer and business credit, as well as mortgage loans.

**Tanzania:** SACCOS was Tanzania's first microfinance operating organization, founded in 1995. Tanzania's economy is based on agriculture. As a result, microfinance organizations attempted to provide credit to farmers, particularly for the purchase of fertilizers and more advanced equipment, to increase production and profit margins without putting them in debt. National microfinance bank, AKIBA bank, CRDB bank, Tanzania Postal Bank, Yetu Microfinance, and Tunakopsha limited are all active in the microfinance sector these days. There is a large rise in individual savings access as a result of excellent microfinance governance, which is supportive of networking, capacity building, and ICT innovation, as well as the creation of partnerships and market facilities. According to (Kaseva, 2014), microfinance contributes to a considerable increase in individual income due to simple access to loans, collateral activities, cash inflows, and education. He concluded that microfinance in Tanzania is still in its early stages and has to be better implemented. It aids in the development of a saving and lending culture among low-income people to meet their financial demands.

**Ghana:** The notion of microfinance is not new to Ghana, since it has long been a history of people saving money and borrowing modest amounts of money from individuals or organizations to start businesses or farming activities. According to (Boateng & Agyei, 2013), character-based lending and frequent visits by officials have improved Ghana's microfinance channel. Microfinance, he said, is one of the key weapons for eradicating poverty since it helps to create jobs, generate capital, and contribute to GDP. Microfinance is becoming an increasingly essential aspect of Ghana's economy as a means of increasing financial inclusion.

**Netherland:** In 1970, the Dutch government formed FMO (Netherlands Finance Company) to help developing economies achieve sustainable growth through private sector investment. This organization lends money to other financial institutions operating in developing countries to invest in housing, energy, and finance private-sector projects in emerging markets. FMO offers financial services in two ways: first, through its investment products and services, and second, through the Micro and Small Enterprise

Fund (MASSIF), a local currency fund controlled by the Dutch government. MASSIF was founded in 2006 to provide SMEs with financial access.

**United States of America:** As a result of the international success of microfinance, wealthy countries have begun to take an interest in this project to battle poverty and create jobs. The Shore Bank Corporation, formed in 1973 in Chicago, is one of the first microfinance organizations in the United States. Its mission is to give investment money to business owners who are unable to obtain credit from traditional financial sources. According to (Raheb, 2018), MFIs in the United States are categorized into three categories:

- 1) Federally funded non-profit organizations;
- 2) Non-profit groups that function independently of the government;
- 3) For-profit organizations.

## **1.8 Microfinance in India**

Microfinance is a new paradigm for rural development that helps low-income people improve their well-being, access to credit, self-confidence, self-esteem, and capability. Microfinance has had remarkable success in the areas of poverty reduction, job creation, and long-term growth, attracting the attention of the Indian government. Given that India has the world's second-largest population, it is critical to offer work, food security, and a higher level of living to all citizens. Financial inclusion allows financially disadvantaged people to improve their economic and social circumstances, allowing them to live better lives. As a result, the Indian government and the Reserve Bank of India have taken significant measures to promote financial inclusion. They hope to use it to deliver financial services to the countries with unbanked or underbanked people. Microfinance in Asia, particularly in India, has taken on a variety of forms, each with its own set of ups and downs. India has pursued a liberalization program since 1991, including globalization, and privatization, as a result of which the private sector has begun to issue a credit to cover the gaps left by the formal banking sector.

**Table 1.2 the Phases of Microfinance in India**

<b>Phases</b>	<b>Year</b>	<b>Features</b>
<b>First-Phase Social banking</b>	1960-1990	<ol style="list-style-type: none"> <li>1. Commercial banks have been taken over by the government.</li> <li>2. A lead bank scheme has been established with the support of District credit plans.</li> <li>3. To expand rural banking, RRBs were established in 1976, NABARD was established in 1982, cooperative bank development was launched, and SIDBI was formed.</li> <li>4. Encourage the widespread distribution of subsidized credits.</li> </ol>
<b>Second-Phase Financial System Approach</b>	1990-2000	<ol style="list-style-type: none"> <li>1. Microfinance institutions have begun to work with non-governmental organizations to provide microfinance.</li> <li>2. An SHG-Bank linkage initiative was started and quickly repeated by NABARD.</li> <li>3. As a result of peer pressure and moral hazard, a new credit lending system has emerged.</li> </ol>
<b>Third-Phase Financial Inclusion</b>	– 2000 onwards	<ol style="list-style-type: none"> <li>1. Microfinance has become a business venture.</li> <li>2. The growth of NBFCs (non-banking financial companies) and NBFIs (non-banking financial institutions) (Non-banking Financial Institutions)</li> <li>3. Non-governmental organizations (NGOs) and microfinance institutions (MFIs) are gaining legitimacy.</li> <li>4. A greater emphasis was placed on customer/client-centric microfinance goods and services.</li> <li>5. Policy regulations have been tightened.</li> </ol>



The microfinance business is mature in Bangladesh, India, Indonesia, and the Philippines, while it is still developing in China, Myanmar, Russia, and Laos. Individual money loans, several sorts of “chitties”, and “kurikkalyanam” in Kerala's Malabar region were all forms of microfinance that existed in the past. India has been a pioneer in the creation of contemporary microfinance. Because India's rural sector has a high poverty rate, the government has begun to focus on rural development. India has gained a great deal of knowledge about microfinance from both theoretical and practical experience. In the year 2010, India fought against the microfinance problem. Following the crisis, India began to establish more efficient regulatory measures for MFIs and other microfinance organizations. Due to high risk and transaction costs, the formal banking system was not equipped to work for microfinance development. Microfinance has a long history of working with NGOs, but thanks to new ideas and innovations in the field of microfinance, commercial banks, RRBs, and cooperative banks are also becoming valuable partners in the development process. The SHG-Bank Linkage Programme was the first channel designed by NABARD in 1992 to encourage low-income people to save, make loan deposits, and manage their start-up funds. MFIs (Microfinance Institutions) are the second channel. The first microfinance institution was founded in 1972, but it was not until the 1990s that MFIs gained traction. The Self-Employed Women's Association Bank (SEWA) is India's oldest microfinance institution. It is located in Ahmadabad, Gujarat, and was founded in 1972 by Gandhian and civil rights leader Ela Bhatt. It was the first trade union to organize the work of self-employed women. A large sum of money has been put into the market, allowing MFIs to expand their market share and operations. By 2009, India had 149 registered microfinance institutions (MFIs), according to a study performed by the Microfinance Information Exchange (MIX). In the credit industry, 11 percent of large corporations have a share of 82 percent of clients and control 88 percent of the portfolio. India's ten microfinance institutions were ranked among the top 50 in the world. In microfinance, the state of Andhra Pradesh has had a tremendous impact, with almost 30000 cooperative organizations partnering with MFIs. The federal and state governments have implemented strategies to bring everyone under one financial roof. Microfinance has made significant progress in this direction. The following are some initial thoughts.

- Encourage NABARD to participate in the SHG-Bank Linkage Program:
- RBI's formal work with SHGs:
- Extend work for SIDBI as a financier to grant exemption to non-profit organizations as a credit provider or lending to SHG as a priority sector:
- To establish the Rashtriya Mahila Kosh (RMK) in India:
- Assist in the implementation of various poverty-relieving programs, such as the SGSY-Swarnimjayanti Swarojgar Yojana, through SHGs.
- Initiate state-level promotion programs such as Swashakti in Gujarat, Velugu in Andhra Pradesh, and Kutumbshree in Kerala to promote rural development.

As a result of this project, NABARD has continued to seek new ways to provide low-income people with long-term credit, bringing the country closer to financial inclusion and creditworthiness. The SHG, or Self-Help Group, is a novel and creative microfinance model that NABARD employed to provide banking services to the country's unbanked and under-banked citizens. The SHG strategy is tailored to women to instill small saving habits, self-governed and self-managed finances, and bank-linked commercial operations. SHGs are frequently formed with the assistance of non-governmental organizations (NGOs), but other government agencies have also attempted to entice citizens to participate in SHG activities.

### 1.9 Grameen Bank: -

**Table 1.3 Lists of Regional Rural Banks in India**

<b>Sr. No.</b>	<b>Name of RRB</b>
1	Assam GraminVikash Bank
2	Andhra Pradesh GrameenaVikas Bank
3	Andhra PragathiGrameena Bank
4	Arunachal Pradesh Rural Bank
5	Aryavart Bank
6	BangiyaGraminVikash Bank
7	Baroda Gujarat Gramin Bank
8	Baroda Rajasthan KshetriyaGramin Bank
9	Baroda UP Bank
10	Chaitanya Godavari GB
11	Chhattisgarh RajyaGramin Bank
12	Dakshin Bihar Gramin Bank
13	EllaquaiDehati Bank
14	Himachal Pradesh Gramin Bank
15	J&K Grameen Bank
16	Jharkhand RajyaGramin Bank
17	Karnataka Gramin Bank
18	Karnataka VikasGramin Bank
19	Kerala Gramin Bank
20	Madhya Pradesh Gramin Bank
21	Madhyanchal Gramin Bank
22	Maharashtra Gramin Bank
23	Manipur Rural Bank
24	Meghalaya Rural Bank
25	Mizoram Rural Bank
26	Nagaland Rural Bank

27	Odisha Gramya Bank
28	PaschimBangaGramin Bank
29	Prathama U.P. Gramin Bank
30	PuduvaiBharathiarGrama Bank
31	Punjab Gramin Bank
32	Rajasthan MarudharaGramin Bank
33	SaptagiriGrameena Bank
34	Sarva Haryana Gramin Bank
35	Saurashtra Gramin Bank
36	Tamil Nadu Grama Bank
37	Telangana Grameena Bank
38	Tripura Gramin Bank
39	Uttar Bihar Gramin Bank
40	UtkalGrameen Bank
41	UttarbangaKshetriyaGramin Bank
42	Vidharbha Konkan Gramin Bank
43	Uttarakhand Gramin Bank

Source: - <https://rbi.org.in/scripts/Banklinks.aspx>

In the field of micro-finance, Bangladesh has been known as a leader. Dr. Mehmud Yunus, Faculty of Economics, Chittagong University of Bangladesh, initiated the 'Grameen Bank' project. The project began in 1976 and was officially recognized in 1983 as a government-issued bank. Even then, it did not have the expected status of the country's central bank, the Bangladesh Bank. To promote self-employment, the Grameen Bank facilitates loans to the landless poor, especially women. At the end of December 2001, it had 23.78 lakh members and a total micro-credit distribution of TK 14.653 crore. The book “**Banker to the Poor**” describes the early life of Yunus, continuing into his college years and his years as a professor at the University of Chittagong. Yunus started to take note of the severe poverty of the villagers around him when he was a professor at Chittagong University. In 1976, Yunus used Maimuna Begum's aid to collect data from

people living in poverty in Jobra. Most of these poor people use to take a loan from moneylenders to buy some raw material, produce a product using that raw material, and then sell the products back to the moneylender to repay the loan, gaining a very meagre profit. One woman interviewed, did not make more than two cents a day using this method to build bamboo stools. The Begum list brought back to Yunus mentioned 42 women who lived on credit for a total of 856 takas (which is equivalent to 27 U.S. dollars).

Professor Yunus found it unfortunate after seeing this data that all it took was 856 taka to get these women to self-sustainability. He promised to lend them his funds with no strings attached and no interest charged. He proceeded to interview the group after all this money was repaid, to see if this was a rare event. He found that in the country of Bangladesh, the cycle of basic enslavement to moneylenders was all too frequent. Something must be done, Yunus agreed. He went to his nearby bank and inquired some poor borrowers to lend them money. His local bank was refusing. He made the case clear to the top bank in Dhaka, effectively securing loan credit for local borrowers. Thus, Grameen Bank was founded in January 1977.

This bank began with entirely new principles, unlike any other bank in Bangladesh at the time. The idea was that there was a human right to credit for any borrower. To provide any sort of protection for the loan, the borrowers had to form groups of five people. Two members of the community were then granted a loan. The next two members will take out a loan from Grameen after payments have been successfully made for six straight weeks. The chairman is typically the last person to have the right to borrow. Five basic rules follow the repayment terms for the loans are: (1) loans last one year, (2) loan payments are to be paid monthly, (3) The loan payback period begins one week after the loan is extended, and (4) the interest rate on the loan is 20%, and (5) weekly payments are 2% of the entire loan for fifty weeks. Started by Grameen, this micro-credit program has been tested across Bangladesh and has also been spread by similar systems of various names to most of the world today. It has been shown that this micro-credit scheme works with small variations on the key concepts over and over again.

Professor Yunus explained the Grameen Bank model to the future minister. Professor Yunus restricted the Grameen bank and after independence, it grew. Every year, they

added more branches. It began giving other types of loans and expanded into other impoverished nations like Malaysia, the Philippines, India, Nepal, and Vietnam. In South Dakota, Oklahoma, and Illinois, similar initiatives were implemented. Professor Yunus started other programs involving Fish farming, textile production and cellular telephones. Grameen Bank has almost 2000 branches and a staff of some 11,000. It offered a loan of almost \$3.9 billion with a recovery rate of 98% and about 90% of its loans are financed from its funds. Grameen Bank has always made a yearly profit.

Professor Yunus believes that “before we translate something into reality, we must be able to dream about it.” According to him, a world should be free from poverty by 2050. He believes in creating a poverty-free world.

### **1.10 Problem statement: -**

Formal financial institutions are generally hesitant to lend to low-income groups. In this context, it is essential to study the extent of the microfinance industry's contribution to economic growth. The study will explore the impact of MFIs on a major component of an inclusive economy. The existing literature on MFIs in Pune is limited, and this study will provide further insight into the impact of MFIs on economic growth.

There is a long track record of giant banks and financial institutions in Maharashtra in general and in Pune metropolis in particular. These financial institutions have set procedures and documentation. Pune is a mixture of tradition, culture, industries, and higher education institutions. A large number of micro and small services of day to day needs have grown. There is a dependence on microfinance by such MFBs. The needs of MFI, in proper evaluation of their clients and the needs of MFB and their financial discipline, need to be addressed

### **1.11 Scope of Research Study**

The present research focuses on microfinance banks in Pune. With the introduction of Microfinance Institutions, a banking license has been granted to some of the institutions by RBI since 2014. Pune as a growing metro city has microfinance banks as a new model in banking. The present research covers all the eight small finance banks (SFBs) in Pune and their clients spread in the different parts of the city of Pune. This research is based on the secondary data on these SFBs which is available in the public domain and the primary data collected by the researcher herself. However the present research is conducted by an Individual alone and hence the scope of this research has restrictions on individual capacities, geographical boundaries, and physical limitations.

### **1.12 Rationale & Significance of Study**

The history of banking in India trails through various stages of evolution of banking theory, principles, and practices. Micro Finance has been a growing need area of finance over the last two decades. On one hand, there are unbanked areas and an uncovered segment of the population of India yet starving from basic introduction to banking. On the other hand, the metro cities like Pune, are growing in size and shape by adopting villages and semi-urban localities surrounding Pune. Hence the researcher observed the rationale behind the detailed inquiry into the niche area of microfinance in the urbanized city like Pune. In the context of unbanked geographic areas and the uncovered banking habits of the population, the significance of this study is felt. A comparison between the traditional established banking practices through nationalized and other commercial banks has to be compared with the microfinance banks. The researcher, therefore, felt it essential to enquire, analyze and suggest the pros and cons of the new banking model – Small Finance Banks (SFBs) through this research work.



### **1.13 Structure of thesis:**

**Chapter 1** is the introduction chapter of the proposed study that provides the detailed structure of this research concept “Mobilization of funds of Micro Finance Institutions” including the research background, statement of the problem, scope and significance of the study.

**Chapter 2** is the review of the literature chapter that explores several works related to the concept of Micro Finance Institutions. This chapter also covers all the specific domains such as small finance banks, microfinance and commercial, private and co-operative banks.

**Chapter 3** presents the methodology including parameters and variables. This chapter also includes the use of tests, selection of data collection tools, the definition of population, sample size, and a brief on the use of statistical tools. This is the research methodology chapter that provides an overview of the research design, research strategy, sampling plan, sampling design, demographics of Pune City and population of the study, data types, data collection methods, design of the questionnaire, data analysis and interpretation techniques that used in this research. It also included a profile of the study area. In addition to these, this chapter discusses in detail the limitations of the current study.

**Chapter 4** includes the results and discussion found during the analysis. It also includes the data interpretation of general descriptive statistics in the form of pie-charts and tables. In this chapter, the data analysis and interpretation analyze and discusses Micro Finance Institutions. In addition, the study investigates the issues and challenges associated with Micro Finance – Small Finance Banks as micro money lenders.

**Chapter 5** presents the Conclusion, Findings, Recommendations and suggestions based on the results of the research discussed in this chapter.

## **Chapter - 2**

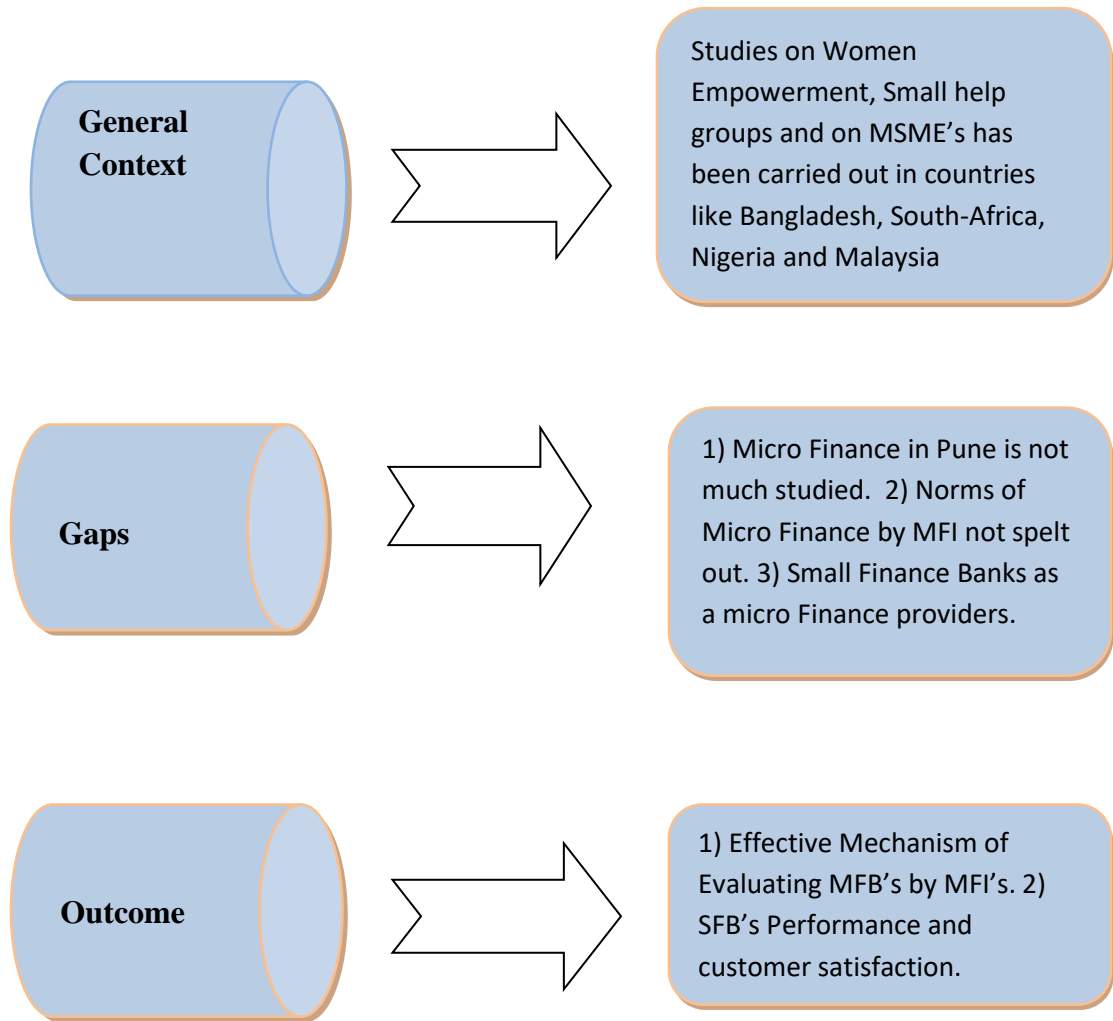
### **Literature Review: -**

#### **2.1 Introduction: -**

Banks play an important part in our country's economic development. As a result, the importance of commercial banks in the country's economic development has been repeatedly noted by economists and policymakers. Commercial banks have played an important part in the development of the Indian economy and are regarded as the lifeblood of the financial system. Banks provide a variety of non-retail and retail services to help people enhance their quality of life. Previously, the general population was unable to fully benefit from financial services provided by banking businesses to improve their standard of living due to a lack of information and sufficient advice. The Indian consumer's face is changing.

Banks are now offering more creative financial solutions and the retail banking idea is highly influential and has a lot of room for expansion. Corporate banking, sometimes known as wholesale banking and retail banking has two main functions, accepting deposits and extending loans. Corporate banking meets the financial requirements of corporations, trusts, financial organizations, and businesses. Retail banking, on the other hand, is a type of mass banking that caters to the financial needs of individual customers such as salaried workers, professionals, business owners, housewives, students, and so on. Small Finance Banks have now been established to provide financial services to low-income individuals and underserved communities.

Under government directions, banks generally remained unconcerned about client needs and dipped out narrow financial products in the form of schematic lending. The current scenario is quite different. Banks have been increasingly relying on the retail sector for both lending and resource development, regardless of their size. Banks from both the public and private sectors have entered the retail sector and the banking business has adopted a retail culture.



**Figure: 2.1 summaries of the context of literature review**

**Source: By Researcher**

## **2.2. Banking Meaning and Definition**

A bank is an organization that accepts deposits, makes loans, pays cheques, and offers financial services. A bank is a financial intermediary that protects, transfers, exchanges, and lends money. Banks play a critical role in connecting those with money, such as investors and depositors, with those who need money, such as individuals or businesses seeking loans. A bank is a group of customers who have capital shortfalls and those who have capital surpluses. Banks provide services to make money, and they must promote and cost-effectively control those services.

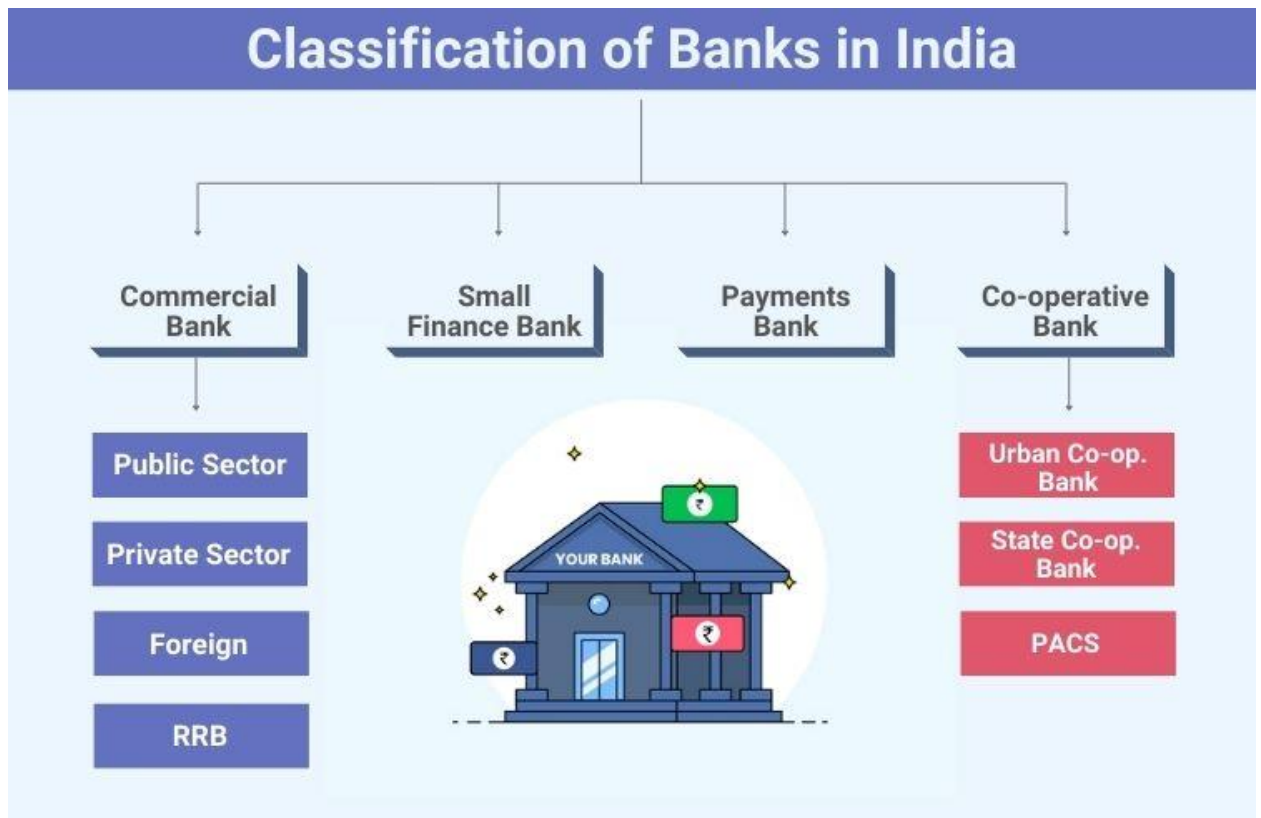
## **2.3. The Beginning of Banking**

Banks and money are essential for economies to function, and they have an impact on entire cultures and nations. As a result, they are heavily regulated, and numerous agencies and governments advise banks to follow strict protocols and rules. The laws and procedures for opening any banking business in India are set by the government for banks and their branches. Most banks are companies or cooperative societies and they may be owned by individuals, businesses, or a combination of the two.

## **2.4 Classification of Banks in India-**

Beyond the traditional operations of storing deposits and lending money, banks offer a wide range of financial services. The Indian banking sector can be divided into the following categories:

**Commercial Bank:** A commercial bank is a type of financial organization that accepts deposits to lend money and provides essential financial products to people and small businesses such as certificates of deposit (CDs) and savings accounts. The bulk of people conducts their banking transactions at a commercial bank. Commercial banks make money by making loans and receiving interest payments on those loans.



**Fig: 2.2 Classifications of Banks in India**

Source: - Moneybazar.com

### 2.5 Concept of Micro-finance

“Microfinance recognizes that poor people are remarkable reservoirs of energy and knowledge possessing an untapped opportunity to create markets, bring people in from the margins and give them the tools with which to help themselves”. — Kofi Annan Former United Nations Secretary-General

Microcredit plays a critical role in empowering women; helps deliver newfound respect, independence, and participation for women in their communities and their households”. - Juan Somavia, ILO Director-General

Microfinance is one of the important findings in the world of finance. India is one of the main markets in the world for microfinance. As reported by the Microfinance Outlook Report, India is one of the major microfinance markets, its GDP growth rate would be high in comparison to the advanced economies of the world (Microfinance Outlook, 2016). The compound annual growth rate of the microfinance market is projected to be more than 15% by 2020 by a leading market research company. (Global Microfinance Market, 2016-2020)

Microfinance is often defined as financial services for poor and low-income clients. In practice, the term is often used more narrowly to refer to loans and other services from providers that identify themselves as "microfinance institutions" (MFIs). These institutions commonly tend to use new methods developed over the last 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral. These methods include group lending and habitually, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly.

More broadly, microfinance refers to a movement that envisions a world in which low-income households have permanent access to a range of high-quality financial services to finance their income-producing activities, build assets, stabilize consumption, and protect against risks. These services are not limited to credit but include savings, insurance, and money transfers. The proposed Microfinance Services Regulation Bill defines microfinance services as "providing financial assistance to an individual or an eligible client, either directly or through a group mechanism for:

1. An amount, not exceeding rupees fifty thousand in aggregate per individual, for tiny enterprise, agriculture, allied activities (including for consumption purposes of such individual or
2. An amount not exceeding rupees one lakh fifty thousand in aggregate per individual for housing purposes, or
3. Such other amounts, for any of the purposes, are mentioned in items (1) and (2) above or for other purposes, as may be prescribed.

The proposed regulations further define an MFI as "an organization or association of individuals including the following if it is established to carry on the business of extending microfinance services:

1. A society registered under the Societies Registration Act, 1860,
2. A trust created under the Indian Trust Act, 1880 or public trust registered under any State enactment governing trust or public, religious or charitable purposes,
3. A cooperative society/mutual benefit society/mutually aided society registered under any State enactment relating to such societies or any multi-state cooperative society registered under the Multi-State Cooperative Societies Act, 2002 but not including:
  - A cooperative bank as defined in clause (CCI) of section 5 of the Banking Regulation Act, 1949 or
  - A cooperative society engaged in agricultural operations or industrial activity or purchase or sale of any goods and services.

The key to microfinance success depends on its clarity concerning its market and its capacity to deliver appropriate products. Broadly, the average microfinance client across the globe is a middle-aged woman, aged 35 to 45. For her, earning a living is vital. She is part of a five to six-person household where the average number of income earners is three and the number of income sources is about the same. Literacy rates reflect a few years of schooling, home ownership levels can be closed to 60 percent (a percent that is higher in rural than urban areas). Most of these households fall just above or below the poverty line.

### **2.5.1 Salient Features of Micro Finance: -**

1. The amount of the loan is small, usually less than Rs. 20000.
2. It is lent for income-generating activities.
3. The rate of interest charged varies from 10 percent to 15 percent flat, thus offering a mind-boggling yield. A loan of Rs. 10,000 with an interest of Rs.2000 recovered in weekly installments of Rs.500/- over six months would work out to a simple interest of 40 percent p.a.
4. The loan is repayable in small equated weekly installments, inclusive of interest.
5. The amount is collected every week to ensure compliance.
6. The recovery rates are typically above 95 percent of the aggregate loans advanced.
- 7.

### **2.5.2 Study of the meaning of Micro Finance Institute (MFI): -**

India with a population of little over 1.2 billion has 70 percent of people staying in rural or semi-urban areas with almost 260 million people living below the poverty line. Approximately 75 million households need micro-finance. Of these, nearly 60 million households are in rural India and the remaining 15 million are urban slum dwellers. The current annual credit usage by these households is estimated to be Rs. 495,000 million as in the past, poverty and rural development remains the daunting challenge for India even today. The Marginalization of rural/urban poor from the mainstream society is primarily caused by the absence of the three forms of Capital from the Poor, namely Material Capital, Human capital (education and relevant skills) and Social Capital (Local Organizational settings, democratic system, protection of Human rights). Most of them are landless or poor land owners dependent upon traditional farming practices. They have to rely heavily upon the Monsoon. In absence of proper education and skills, their employability in non-farming jobs is very low. The traditional ways of resource allocation (Public Distribution System) have proven inefficient in eradicating poverty as the social Capital has not developed enough in the country. Corruption has always remained an inseparable part of such systems.



## **Economic Review 2009-10 Government of India:**

Microfinance addresses the shortage of physical capital amongst the poor and thus directly affects the creation of Human Capital for the poor. In this era of corporate social awareness, Microfinance not just substantiates the claim of corporate citizenship but also extends the reach to this marginalized market segment of the society. Microfinance aims at providing a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and their micro-enterprises. The main objective is to develop institutional financial self-sufficiency and to penetrate breadth and depth-wise across the low-income groups/individuals; profitably. Approximately 75 million households need micro-finance. Of these, nearly 60 million households are in rural India and the remaining 15 million are in urban areas. The current annual credit usage by these households is estimated to be Rs. 495,000 million

### **2.5.3 Sources of Microfinance in India**

- Formal institutions - Rural Banks and Cooperatives Commercial Banks,
- Housing Finance Institutions (HFIs),
- NABARD,
- Rural Development Banks (RDBs),
- Land Development Banks
- Land Development Banks and Co-operative Banks (CBS).
- Co-operative Structures,
- The Urban Cooperative Banks (UCB) or Urban Credit Cooperative Societies (UCCS)

### **Semiformal institutions-**

Non-governmental organizations Group-Based Financial Intermediary and the NGO Linked Financial Intermediary. Sharan in Delhi, the federation of thrift and credit association (FTCA) in Hyderabad and SPARC in Bombay have adopted the first model where they initiated the groups and provide the necessary management support. Others like SEWA in Ahmadabad or Baroda citizen's council in Baroda pertain to the second model.

#### **2.5.4 Types of Micro Finance Institution: -**

A Micro Finance Institution can be a trust, registered society, cooperative society, company registered under Section 25 of Companies Act, 1956 (a not-for-profit company), NBFC or local area bank (LAB). The vast majority of Micro Finance Institutions in India are trusts and societies. Conversion into an NBFC or LAB gives an MBI greater credibility as it brings the Micro Finance Institution under the purview of the Reserve Bank of India. Besides, being a corporate entity enables a Micro Finance Institution to access the capital markets for funds to scale up and not depend solely on bank lending, grants or donations. They are also allowed to raise savings from the member-borrowers.

An attempt is made in the following table to capture the various forms of MFIs: -

**Table 2.1 Various Forms of Micro Finance Institutions**

Types of Entity	Non-profit	Mutual Benefit	For-Profit
Association	Society under Societies Registration Act 1860	A cooperative can be just a savings and credit cooperative or be further licensed as a cooperative bank.	Association of persons
Trust under the Indian Trusts Act 1920	Charitable trust	Mutual benefit trust	Investment trusts
The company under the Indian Companies Act, 1956	Section 25	Company Mutual Benefit (Sec 620A Nidhi Company)	The company which is further either an NBFC or a bank

**Source: - <https://www.bankbazaar.com>**

Microfinance institutions are established to provide financial assistance to the poor people of the society. The institutions are also working hard to develop the habit of saving among the community. There are several programs to provide flexible financial loans to the common people. Poverty is a global problem and the whole world is trying hard to get a practical solution. The problem of poverty is more acute in third-world countries. In 1970, the term microfinance emerged as a prospective solution to the problem. Microfinance institutions can be divided into three types.

These are: -

- Formal Institutions: cooperatives and rural banks
- Informal Institutions or sources: lenders and shop-owners
- Semi-Formal Institutions: nongovernment organizations

Microfinance institutions are established to help poor people to become self-sufficient. At the same time, the institutions also aimed at providing banking facilities to all these people. Several types of research have proved that all these people are involved in saving money but they are habituated to saving money at home. Home as a medium of saving is not considered a very safe place. The institutions aimed at bringing this money to the banks and then using it for the development of the poor people.

There are many other types of financial assistance, which are provided by these institutions. Microcredit is one of those services. The microcredit loans are nothing but the microloans extension. Many people have nothing to provide as security and so these people are always left out of the lending scenario. It is a common trend that the renowned financial organizations are least interested to take care of the financial requirements of those people who are either unemployed or occasionally employed. Here comes the important role of microfinance organizations. The microfinance institutions are dealing with the underprivileged section of the population and are providing the necessary financial assistance to them so that these people can come forward in society. At the same time, if these people can avail the of basic banking facilities, the social scene is bound to change. These institutions are also involved in providing micro-insurance to the same community.

Some of the famous microfinance institutions are:

- Grameen Bank
- ACCION International
- Opportunity International
- Comilla Cooperative Pilot Project
- Orangi Pilot Projects
- Women's World Banking
- FINCA International
- TMSS
- SKS India

#### **2.5.5 Objective of Micro Finance Institutions: -**

MFIs can play a vital role in improving financial access, particularly in those areas which are under-banked. There is a need to promote the linkage of MFIs with the banks so that MFIs can have better access to commercial funding. To facilitate this, Micro Finance Development and Equity Fund (MFDEF) have been set up recently in NABARD. There is a need to bring more transparency to the operations of the MFIs. Microfinance providers usually obtain the requisite monies for their operations from grants, loan guarantees, and other innovative financing techniques as well as funding from individuals, institutions and governments. They may also borrow funds from banks to loan their clients. In addition, the monies recovered from clients' microfinance loans go back into the program to cover costs and fund more loans. Indeed, a commendable feature of almost all microfinance programs is their revolving nature. The fact that MFIs provide small loans - as low as Rs 5,000 - goes a long way in helping people. Most of our loans are between Rs 5,000 to Rs 10,000. The maximum would not exceed Rs 50,000, The role of MFIs has slowly expanded: From being primarily loan providers, they have included many more services like financial education, providing savings accounts for clients, tying up with NGOs to teach people different trades, etc.

## **2.6 Literature Review: -**

An article titled, —Microfinance, Self-help Groups, and Empowerment in Maharashtra published in ASARC Working Paper (2007) by R. Gaiha & M. A. Nandhi2,[J. Ref. No.7, P/160] in this article author has stated that, based on a properly developed study in selected areas in the Pune district, the advantages of microfinance through self-help groups While increased income, consumption, and savings are important for the poor, the focus here is broader, as an attempt is made to examine some essential characteristics of women's empowerment—defined generally as the extension of freedom of choice and action to create their own life. While the targeting of microfinance through SHGs was disappointing in terms of income, it was better in terms of other deprivation indicators including low caste, landlessness, and illiteracy. What is interesting, however, is that the loans were mostly utilized for children's health and education, as well as for production-related needs, particularly by the poor. In Researcher's opinion, it's talked about after microfinance to the Self Help Group, empowerment of the poor rural women has been increased.

**An article, titled, —Impact of Self Help Groups on empowerment of women: A study of Dharmapuri district, Tamil Nadu by Lakshmi R and Vadivalagamn G3 was published in the Journal of Management Science(ISSN 2250-1819), Vol.1.Issue 2, page-43-54,2011[J. Ref. No.8, P/160].** In this article, the author has stated that the main reason for joining the SHG is not merely to get credit. It is an empowerment process, after joining the SHG the women are economically and socially empowered. This empowerment cannot be transferred or delivered. It must be self-generated such that it enables those who are empowered to take control over their lives. As cited by Karl, Empowerment is a process of awareness and capacity building leading to greater participation, greater decision-making power and control, and transformative action. In Researcher's opinion, it's talked about after joining, the Self Help Group, the empowerment of rural women has increased.

**An article, titled, —Microfinance and women empowerment: Does Self-help group empower women** by Das S4, published in IJMBS, Vol 2 Issue 2, Page-71-79, 2012[J. Ref. No.9, P/161]. In this article, the author stated that by using an empowerment policy, developers should address the gender issues as the role of women is important for policies aimed at supporting the women's movement. Women are very much interested in education and improving their skills and competencies and this offers scope to policy developers to devise new education programs to help women improve the level of off form, business, technical and economic skills they need. In Researcher's opinion, it's talked about after joining the Self Help Group, the empowerment of rural women has increased.

**Amutha D. 6, 2011**[J. Ref. No.10, P/161], In this article, the author has stated that in some areas they are functioning effectively wherein in other areas they face problems. Since women do achieve economic empowerment, these policy measures can contribute a lot to the Nation. In Researcher's opinion it's talked about after joining 4 the Self Help Group, the empowerment of rural women has increased in some areas but in some areas they face problems.

**K.G. Karmakar (1999)** in his study "Rural credit and self-help Groups: Microfinance needs and concepts in India",[B. Ref. No.1, P/160], examines India's current credit distribution system, with a focus on the credit demands of the rural poor. In Orissa, he investigates the relevance of micro-credit for tribal women in rural regions and micro-enterprises in the non-farm sector. The study focuses on the availability of credit, the credit qualifications, and the difficulties that indigenous people confront in obtaining it. The establishment of micro-enterprises, particularly in the non-farm sector, is seen to go a great way toward alleviating poverty in rural regions. According to him, the only way to get credit for the rural poor is to use a micro-credit technique through a self-help organization. In Researcher's opinion, it talks about the Self Help Group availing of microfinance would go a long way in reducing poverty in rural areas.

**Puhazhendhi (2000)**[B. Ref. No.3, P/160] in his study reviews the progress of the SHG-bank linkage program in Tamil Nadu and assesses the socio-economic impact of the program on the group members. The study was conducted by the NABARD in Tamil Nadu and covered 70 SHGs promoted by four major Nosing Researcher's opinion it talks about the impact on socio-economic conditions after micro-financing the SHG in Tamil Nadu.

**Puhazhendhi and Staysail (2000)**[B. Ref. No.4, P/160] SHG members' living circumstances were reviewed once they were connected to banks. The research included 560 people from 223 SHGs in 11 states. These states covered the country's center, southern, northern, western, and eastern regions. The findings revealed that the post-SHG era had a positive social influence, with an increase in self-worth, communication, and knowledge of societal problems. This was shown by asking questions regarding women's maltreatment in movies, which resulted in a slight reduction in domestic violence. In the Researcher's opinion, people talk about the improved living conditions after joining the SHG & availing of the benefits of microfinance.

**N.P.Y. Raman (2000)** [B. Ref. No.5, P/160] in his work "self-help groups the Kerala experiments" shares his research experience of the Primary Agricultural cooperative society of Kerala with self-help groups. His study shows that though both the groups avail themselves of the loan for the same purpose, the recovery of loans from the self-help groups is 95 to 100 from primary agricultural co-operative societies. The reason cited was that the members of the self-help groups are to bear only a 4.5 percent rate of interest against the usual 9.5 percent interest after deducting the State Government incentive of 5 percent. The low rate of interest and the Government incentives make a large difference between the income and profitability of the members covered under Self-Help Groups while others are not SHG covered by the self-help groups. The sample study shows that only 10 percent of the members of the primary agricultural cooperative society have been brought under the concept of self-help groups. Even among these, only 60-70 percent are benefited from the scheme and the rest are cultivators of crops other than food grains, fruits, and vegetables. He proved in his study that the self-help group concept has not only reduced the poverty but also yielded encouraging results. The self-help groups 'concept



has created a positive impact on the functional efficiency of the primary Agricultural Co-operative Society as well. In Researcher's opinion, the low rate of interest and the Government incentives make a large difference between the income and profitability of the members covered under self-help groups (SHG).

**H.C. Sharma (2000)** in his study "Forest Policy-Role of SHGs", [J. Ref. No.11, P/161] studied the role in the growth of indigenous people, self-help groups are important. Self-help groups, he claims, are flexible in their approach and work, but they have failed to build a work culture that is recognized by tribe members. He believes that more collaboration between volunteer agencies and government departments is essential for better performance. In Researcher's opinion, better coordination is required between the voluntary agencies and the government departments for SHG's better performance.

**K.R. LakshmiKandon6 (2000)**, in his study titled "Self-help groups in the life of Rural poor - A Philibhit case study", [A. Ref. No.76 P/169] stated that most of the members of the self-help groups consisted of small landholders and agricultural labourers. There were 57 women's groups and 176 men's groups among the 74 self-help groups surveyed. The strength ranged from 10 to twenty, with the larger figure bearing the brunt of it. The SREC organized self-help groups in that district. Among all the self-help groups, only 11 were sanctioned loans successfully from the lead bank of the district, (Bank of Baroda), and the amount varied from Rs. 20,000/- to Rs. 30,000/-. He believes that facilities for entrepreneurial development are available within the group only at the micro-level as compared to the large basic functions such as market study, providing resources, general production management and marketing management. The literacy rate of the member of some self-help groups has improved from 5 percent to 90 percent, he stated.

**N. Manimekalai and G. Rajeswari7 (2000)** in their study " Empower of women through self-help groups"[J. Ref. No.12, P/161], analyzed the women's self-help group formed by the non-Governmental organizations in the rural area of Tiruchirappalli District to promote rural women through self-employment. The Non-Government Organization namely, Society for Education and Village Action and Empowerment (SEVAE) has been working in 362 villages and helping a total of one lakh women beneficiaries belonging to

different avenues of self-employment like petty businesses, processing, production, and service units. In the Researcher's opinion, it's talked about the empowerment of women through SHG.

**S. Sundari and N. Geetha<sup>8</sup> (2000)** in their study "Poverty credit and microenterprises", [J. Ref. No.13 P/161] examine the gender disparity in access to institutional credit. In their opinion, the disparity is gradually narrowing down over time. Hence empowerment of poor rural women will be possible only if they are trained and imparted Skills for a certain job. According to them, skill training includes enterprise development, increased access to credit, a new approach to markets and social-economic, political strategies, and the like. In the Researcher's opinion empowerment of poor rural women will be possible only if they are trained and imparted Skills for a certain job.

**Laxmi Kulshrestha (2000)**, [J. Ref. No.14, P/161] in his paper —Microfinance: The absence of capital is a severe limitation to rural women's growth, according to the New Development Paradigm for Poor Rural Women. Barriers 7 such as legislative laws, lending rules, and processes frequently prevent women from obtaining credit. According to studies, credit can assist women in pursuing farm-related activities, and the cash earned from credit offered to women is likely to be spent on the household's well-being. This unique microfinance model stresses financial intermediation and institution self-sustainability.

**A.P. Sebastian Titus<sup>10</sup> (2000)** in his study, "Promotion of women empowerment through self-help groups"[J. Ref. No.15, P/161], analyses how self-help organizations might help women entrepreneurs succeed. According to him, women entrepreneurs who start modest businesses grow them into enormous firms. Self-help organizations have produced and exported ready-to-wear clothes. Agro services are provided by a unit maintained by a women's self-help organization in the Dindigul district, with an annual turnover of Rs. 12 lakhs or more. However, the majority of other self-help organizations are unable to meet the standards. Some of the reasons given were as follows: (i) nonavailability of funds for investment,(ii) dearth of technical and managerial skills, (iii) inability to manage the labour force, (iv) dual role burden, lack of professionalism, (v) gender bias and the like. In

the Researcher's opinion about the Promotion of women empowerment through self-help groups.

**J. Venkatesh and K. Kala11 (2000)** in their work —Self-help groups: A Tool to boost up women Empowerment —Identify SHG as a potential pathway to alleviating poverty [J. Ref. No.16, P/161]. The number of poor women and men joining in SHGs in rural India has been steadily growing. They are involved not just in saving and credit management, but also in natural resource management and development, literacy, and other activities. Knowledge management, nutritional security, etc. SHGs lay the foundation for self-reliance through building even institutions, which can generate employment opportunities for the rural poorest and lead to job-led economic growth. In Researcher's opinion, it talks about the self-help group model that has been identified as a potential pathway to alleviating poverty.

**Vedashree Mali, 2 Dr. Vinod Sayankar / July 2016** According to the study paper "Study of microfinance institutes in Pune city," microfinance "plays a significant role in the development of society" since it may reach out to everyone who needs money. Borrowing money through the Indian banking system is a tough job that necessitates extensive documentation as well as a consistent and safe source of income. Microfinance has addressed this barrier, allowing micro-entrepreneurs to grow. Microfinance is gradually being recognized as a distinct industry, with a plethora of companies. The study is based on MFI, although the focus is on SHGs. The investigation of the researcher was limited to only seven MFIs. As a result, there is room for additional MFI data to be considered. This study is exclusively done on MFI's and the opinion of MFBs is not taken into consideration.

**Morgan Bulla, Elijah Maronga, Christopher Ngacho / May 2019** MFI interest methods show negative signals of borrowing costs, according to a study article titled 'Influence of Microfinance Financial Strategies on Growth of Small and Micro Enterprises in Homa Bay County, Kenya.' According to the findings, credit allocation effectiveness has a considerable beneficial impact on SMEs' growth. The focus of this research is on the tactics used to help MSMEs develop, with no mention of MFIs.

**Solomon Abba Boman<sup>1</sup>, Bashir Musa Tijani<sup>1</sup>, Marcus Garvey Orji<sup>2</sup> / December 2018**The conclusion of the study article "Effect of Micro Finance Banks on Economic Development of Kaduna State, Nigeria" is that carefully planned and managed micro-credit financing can serve as a tool for Kaduna State's economic development. The researcher focused on Nigeria's economic progress rather than MFI's policies and processes when conducting the investigation.

**Dr. Veenapani / June 2017** According to a study report titled "Performance and Sustainability of Microfinance Institutions in India," MFIs must implement certain tactics to be competitive. The study focused on the long-term viability of MFIs rather than MFBs.

**Chuke Nwude\*<sup>1</sup>, Kenneth Chikezie Anyalechi / June 2018**the study was done on rural economics rather than urban economics, according to the research paper titled "The Impact of Microfinance on Rural Economic Growth: The Nigerian Experience." This is a study of rural economics, not urban economics, and the opinions of MFBs are not taken into account.

**Naziruddin Abdullah<sup>1</sup> / June 2019**In the study article "Measuring the Outreach Level of Microfinance Institutions in Bangladesh," it is stated that Most people who borrow from MFIs are risk cautious, and in light of the three eventualities, it's understandable that the poorest among them would opt out, leaving the wealthiest to continue borrowing from giant MFIs. The rationale for this move might be the wealthy's willingness to tolerate the greater cost of borrowing (i.e., a higher interest rate) in exchange for staying in the market for a long time. However, the researcher conducted the study with a sample of 11 MFIs, and the key research gap is that they worked with MFBs, but the issues that MFBs encounter was not addressed.

**Santosh Kumar Karn<sup>1</sup> / June 2018**Microfinance services for the poor are now actively advocated as a crucial tool for poverty reduction, according to a study report titled "Challenges and Opportunities of Microfinance in Nepal." As a result of their good return rates, several microfinance programs are increasingly targeting women. Microfinance, on the other hand, isn't a magic bullet. Microfinance initiatives that are poorly planned (even

if financially viable and female-targeted) may have a very limited impact on poverty. As a result of the researcher's investigation into the different government services, a further in-depth investigation of MFIs and MFBs is required.

**Pimple, Suneeta 2014** There are various urban development initiatives supported by the government to reduce poverty, according to a research article titled "A study of financial implications of microfinance on women self-help organizations in Nasik Municipal Corporation region from 2000 to 2010." One of the positive results of making banks more efficient intermediaries might be increased financial inclusion. Greater financial inclusion might be feasible in some of the programs that thrive and become self-sustaining. For female SHGs, there are no systematic records recorded.

**Satpute, Ravindra C \ December 2012**The study showed that 55 percent of SHG members are studied up to school level, according to the thesis "Micro-Finance: a critical analysis of need, practices, and future trends with specific reference to self-help groups of Amravati district." There is a pressing need for all members to receive an education. Because this research is focused only on SHGs and women's empowerment, the necessity for and practices of MFIs in Pune must be investigated.

**Kumar Rachit / Nov 2017**The size of the loan should be extended appropriately to meet the demands of borrowers, according to the thesis "An Empirical Study of Problems and Prospects of Micro Finance in India with Special Reference to Uttar Pradesh." People should be given more opportunities to repay their loans.

### **Microfinance Institutions should impart knowledge to interested**

- Borrowers for improved employment of credit. The rate of interest should be reduced so that more applicants can get
- Benefits of microfinance facilities.

Microfinance operations should be simplified and made more cost-effective. Only 35 SHGs were included in the study to represent the entire state of Uttar Pradesh in India, which might have skewed the results in favour of these small organizations. The

responders are chosen based on their judgment. The research does not include urban regions.

**Meyer (2002)** His article evaluated the essential triangle of microfinance, i.e. outreach, sustainability, and effect, to see how well the microfinance business in Asia was functioning. Four metrics were used to analyze outreach, financial sustainability was calculated using operational and financial sustainability, and the effect was assessed using both quantitative and qualitative measures. For the year 2011, the research looked at 148 distinct MFIs in 14 different Asian nations. The results suggested that outreach, particularly in Bangladesh and Indonesia, was fairly outstanding. In most nations, the industry's financial viability was a major issue.

**Michael Tucker and Gerard Miles (2004)** evaluated the performance of MFIs that had achieved self-sufficiency with those that had not, and compared both to regional commercial banks in developing nations on chosen financial ratios in their study titled 'Financial performance of microfinance organizations.' The comparisons were based on five financial measures from three separate areas. The ratio of operational expenditures to assets assesses efficiency in the first category. The return on assets, return on equity, and net profit margin was included in the second category, which measured profitability. The debt-to-equity ratio was used to represent the fourth category, which measured leverage. Data from commercial banks was acquired. The Micro Banking Standards Project published the second and third data series (MSP). Self-sufficient MFIs outperformed self-sufficient MFIs in terms of ROA and ROE, according to the study. The bulk of MFIs, on the other hand, were quite poor and required ongoing support. Providing financial services to the poor was a costly Endeavour, and many MFIs may not be able to achieve self-sufficiency.

**Giovanni FERRO LUZZI and Sylvain WEBER (2006)** in their study, 'Measuring the performance of microfinance institutions,' show how statistical methods might provide fresh insights into the evaluation of MFIs. The paper's sample consisted of 45 microfinance firms examined by Geneva's Graduate Institute of Development Studies between 1999 and 2003. In the first stage, factor analysis was utilized to create

performance indexes based on many probable variable correlations. Different factors were created by combining the basic variables, each of which indicated a different facet of performance. Individual MFI scores on each component were employed as dependent variables in a simultaneous –equation model. The purpose of this article was to give some insight into how MFI performance may be assessed in a multidimensional manner. As a result, the article employed factor analysis, cluster analysis, and the estimation of a SUR model for 2003.

**Befekadu B. Kereta (2007)** in his paper titled the study, titled 'Outreach and Financial Performance Analysis of Microfinance Institutions in Ethiopia,' looked at the performance of Ethiopian microfinance institutions from a variety of perspectives. The study's goals were to assess MFIs' inadequate outreach and financial viability, to identify obstacles that MFIs have in operating efficiently, and to provide policy recommendations to help MFIs function more efficiently. There were four chapters in the paper. The first chapter was an introduction to the study, followed by a literature review, the third chapter describing the study's findings, and the fourth chapter concluding and making suggestions. Based on the findings, the report made policy suggestions for MFIs. Based on the findings, the report made policy suggestions for MFIs. Strengthening women's access to credit was one of the recommendations, and because the study revealed a link between outreach and sustainability, it was suggested that more clients be reached to achieve the social objective as well as profitability.

**Drew Tulchin et al (2009)** defined eight new ratios in a standard style, ratio name, framework number, and mathematical equation in their study titled "New Financial Ratios for Microfinance Reporting." Examples of computations using data from Banco Pro Credit Nicaragua were supplied to help understand the ratio's consequences (Pro Credit Nic). Nic from Pro Credit was picked as a representative case. Capital adequacy ratio uncovered capital ratio, foreign currency risk ratio, average deposits balance per account, the yield on liquidity and investments, savings liquidity, the effective financial expense of savings, and effective operating expense of savings were the eight new ratios for microfinance reporting. The report found that these improvements to the Framework bring MFIs closer to more widely recognized worldwide accounting standards, such as Basel II and IFRS,

and provide a suitable framework to improve MFIs' performance to align with national reporting standards.

**Esubalew Assefa et al (2012)** their article, titled "Competition and Microfinance Institution Performance," looked at the link between competition and microfinance institution performance (MFIs). The Lerner index was used to assess competitiveness. The researchers next looked at the link between greater rivalry among MFIs and outreach, loan repayment, efficiency, and financial performance on the one hand, and increased competition among MFIs on the other. For the period 1995-to 2009, the empirical study included data from 362 MFIs in 73 countries. According to the data, there has been a general trend of rising competition in microfinance during the previous ten years. The econometric research revealed that rivalry among MFIs was negatively related to a variety of performance indicators. Increased competition and the resulting commercialization of the microfinance industry, according to the study, pose a danger to the sector's long-term stability and performance, both in terms of social and financial goals.

**Wondimagegnehu Negera (2012)** used a combined research technique in his research project named "Determinant of Non-Performing Assets: The Case of Ethiopian Banks." Second, the study relied on a methodical assessment of bank papers and records, as well as an in-depth interview with senior bank executives in Ethiopia. Inadequate credit evaluation, incompetent loan administration, underdeveloped credit culture, liberal payment terms and conditions, forced lending, impaired honesty, and other factors were shown to be the causes of loan default.

**Hina Almas and Muashir Mukhtar (2013)** 'Calculating the Quality and Achievement of Microfinance Institutions incorporating Subsidy Dependency Index and Outreach Index in the Case of Pakistan,' according to a research published by the World Bank. Hina Almas and Muashir Mukhtar (2013) investigated the amount of subsidy dependence and outreach to assess the impact of microfinance organizations on poverty alleviation. While multiple studies have been undertaken in other countries to investigate this topic, no such study has yet been completed in Pakistan. The researcher focused on eight microfinance organizations in Pakistan for the study. Traditional and Islamic microfinance organizations



were included in the sample.

**Walter Okibo and Lilian Aseyo (2013)**The major goal of their study paper, titled 'Reasons of loan default with microfinance institutions in Kenya,' was to discover the causes of loan default inside microfinance institutions in Trans Nzoia. A structured and semi-structured questionnaire was used to collect data. The data was tallied using frequency tables and examined using both quantitative and qualitative methodologies. The study discovered that loan repayment default was caused by MFIs' lack of monitoring of borrowers and borrowers' lack of training on how to use loan money before receiving loans. It was also discovered that the majority of borrowers did not use the loan funds for the intended and agreed-upon purposes.

**Wangai David et al (2014)** the effect of non-performing loans on the financial performance of microfinance banks in Kenya: A survey of microfinance banks in Nakuru town was established in their paper titled 'Impact of non-performing loans on the financial performance of microfinance banks in Kenya: A survey of microfinance banks in Nakuru town.' The research was carried out at Kenya's Nakuru town's microfinance banks. One independent variable, credit risk, and one dependent variable, financial performance, led the study. To convey the respondents' perspectives on all research constructs, descriptive analysis was used. Inferential analysis was used to make deductions about non-performing loans and the financial performance of the institutions under investigation.

**Michael Tucker and Gerard Miles (2003)** evaluated and compared the performance of regional commercial banks with MFIs in their paper "Financial Performance of Microfinance Institutions - A Comparison of the Performance of Regional Commercial Banks by Geographic Regions." The data for the study came from FIS online, and it included four geographic regions: Africa (14 banks), Asia (61 banks), and Eastern Europe (61 banks) (10 banks), According to the findings, the sample included 57 self-sufficient MFIs that are both competitive and outperform developed-world commercial banks.

**Abdul Qayyum and Ahmad M (2006)**, attempted to identify the most efficient/best practice MFIs in the South Asian area in their study on "Efficiency and Sustainability of

Microfinance Institutions in South Asia." In these chosen South Asian nations, data envelope analysis was employed to assess the effectiveness of a microfinance organization. They also discovered that Indian MFIs outperform Bangladeshi MFIs in terms of sustainability.

**Sen Mitali (2008)**, looked at the design and efficiency of public policy tools connected to India's rapidly growing microfinance institutions in his paper "Social Performance Assessment of MFIs in India." Only financially self-sufficient MFIs have a high equity ratio to overall assets, according to the study. It has been demonstrated that the sort of funding provided to MFIs has a direct impact on their success and the interests of society. According to the report, there are compelling reasons to provide funds to MFIs, including the fact that, due to an intelligence advantage, MFIs may be more successful than other financial organizations in delivering benefits to various parts of society.

**Zohra Bi, Ajita Poudelm Junaid Saraf (2013)**The goal of their research, titled "Performance and Sustainability of Microfinance Institutions in India," was to look at the contribution and expansion of the Indian microfinance system, as well as the raising of Indian MFIs, as well as their operating efficiency and portfolio quality. For the research, the measures of outreach, portfolio size, and operational success were considered. They depicted the concentration of MFIs in India's southern region, with NBFCs accounting for the majority of MFIs. Large NBFC MFIs have the most scope, according to the report, because of their performance and longevity.

**Lusardi and Mitchell (2011)**While I believe it is critical to measure financial literacy, I also believe it is challenging to investigate how individuals digest economic data and make educated decisions about their own money in practice. Three essential financial concepts are tested in these questions: interest rate compounding, inflation, and risk diversification. The first two questions demand basic arithmetic abilities, while the third question necessitates knowledge of stock and mutual fund definitions.

**Cole and Fernando (2008)** point out that financial literacy test scores are substantially connected with math test scores, implying that financial literacy examinations may be used to assess a general capacity to solve issues. If this is the case, financial literacy education may have a limited impact: the more fundamental abilities of addition, multiplication, and division may be more important. However, we must explore other financial literacy assessments that are not just reliant on mathematical abilities.

**Gray, Cohen, and Stack (2009)** Reduced financial stress, reduced time spent managing financial matters, motivation to plan and set a financial goal, independent financial decisions, reduced debt, reduced debt–service ratio, increased savings, successful financial or business negotiation, and greater satisfaction with bank products or services are among the various indicators of financial well-being used in various research studies.

**Amarender Reddy and Dharm Pal Malik, A Review of India's SHG-Bank Linkage Program, Indian Journal of Industrial Economics and Development, Volume 7 No. 2 (2011): 1-10.** Microfinance has made enormous achievements in India over the years, and it has become a household name due to the multifaceted benefits provided by microfinance services to our country's impoverished. Self-Help Groups (SHGs) have become a typical development mechanism, including microfinance. The SHG–Bank Linkage Programme (SBLP), which was initiated in 1992 to bridge the gap between the formal financial system and the informal sector, has grown into a movement in India. According to NSSO data, 45.9 million farm households in the country (51.4 percent) out of a total of 89.3 million households do not have access to finance, either from institutional or commercial sources.

**Kartik Khandelwal, Shivam Gupta, and Dr. Rajinder S.Aurora, Microfinance Institutions: An Empirical Study Based on The State of Maharashtra, Bvimsr's journal of management research 76 vol. 9 issue - 1: April: 2017.** The following facts concerning microfinance organizations are shown by the complete analysis: The inhabitants of Maharashtra have an extremely low degree of awareness. Microfinance institutions have a difficult time raising funds from the market. If the government wants to eliminate socio-economic gaps, it must support these institutions. In comparison to bank

microfinance, microfinance charges an extremely high-interest rate. The expansion of this industry has the potential to shift the fortunes of the Indian economy.

**Gordon, A.N., and others (2011): Gordon, A.N., and others (2011): Gordon, A.N., and others (2011): Gordon, A.N., and others (2011):** Gordon, A. The purpose of this article is to investigate the relationships between women's access to microfinance and how they use maternity healthcare services in Sub-Saharan Africa. The purpose of this article is to investigate the relationships between women's access to microfinance and how they use maternity healthcare services in Sub-Saharan Africa (SSA). It has been discovered that better access to microfinance by women, paired with education, increases their use of maternal health services.

**R. Kamath and R. Srinivasan (2009):** [www.IImbernetIn/research/working-papers/working-papers-09](http://www.IImbernetIn/research/working-papers/working-papers-09) **R. Kamath and R. Srinivasan, Grameen Bank Model, - papers/working-papers-09** This research attempted to link the Grameen bank model in India through the use of a non-profit Non-Banking Finance Company (NBFC) framework, which has developed significantly in terms of client numbers. The loan sizes, however, have been relatively small in comparison to the rural population's per capita income, while the portfolio quality has been high.

**Linda Allen and Anthony Saunders (1986)**<sup>62</sup> noted in their article "The large-small bank dichotomy in the federal funds market" that there are information asymmetries between federal funds' lenders and borrowers that can only be determined through frequent and continuous trading. Because of their size and location, smaller banks have limited access to federal monies. It is demonstrated that implied multi-period contracts can be used to alleviate knowledge asymmetries and the accompanying unpleasant selection difficulties.

**Williamson (1967)**<sup>63</sup> introduced the Hierarchical control theory to explain operational differences between small and large banks. The researcher observed that huge banks have an ability problem in the lending process and that to avoid distortion produced by their complex organizational structure, they must regulate.

**Karur Vysya Bank (1991)**<sup>60</sup> conducted a study on the "Bank's Image." According to the findings of this study, bank advertising is directly linked to the bank's image in the eyes of clients.

**Karmakar (1999)** drew attention to some difficulties concerning rural India's credit distribution system. The major issue in the entire system is payback and recovery. These issues develop as a result of loan policies that include procedural weaknesses. It is also affected by the problem of supervision and monitoring. These concerns are tied to internal management, but external factors such as natural disasters, the legal framework, and government policies can harm the system.

**Anand Jaya S. (2002)** investigated the influence of Self-Help Groups (SHGs) and Neighborhood Groups (NHGs) on women's empowerment. To meet the study's goals, select female members of these groups were questioned. The members benefited greatly from the thrift component since it assisted them in avoiding moneylenders, according to the findings. It has also aided them in dealing with other issues such as seasonal unemployment. Furthermore, by obtaining loans from the organizations, members have engaged in a variety of income-generating enterprises, which has aided them in a variety of ways (eg- income). Along with income-generating enterprises, members have taken initiatives to combat social ills such as dowry, alcoholism, and so on.

**Mayoux (2000)** observed in his study on poverty targeting that to empower women, the focus should not be solely on poor households, because this will exclude disadvantaged women who are not necessarily from a low background. As a result, while introducing empowerment interventions, the focus should be on the group as a whole. Furthermore, the groups are important for transferring information, skills, and knowledge among the members. As a result, cost-effective measures must be adopted to coordinate the work of microfinance and empowerment intervention strategies to create groups and empower women by boosting financial sustainability and outreach.

**Mishra (2001)** did research on the impact of self-help groups on income and employment. The study was conducted in Uttar Pradesh, and the researcher discovered that self-help group members earned money from agriculture, small businesses, and labour activity. They had huge issues with training, high-interest rates on loans, and so on, and the researcher proposed involving commercial banks, Regional Rural Banks, and others so that the poor could access loans at a cheaper interest rate.

**(Pretes, 2002)** - Microfinance is defined by a researcher as the provision of various financial services to those who do not have access to these services, such as savings, remittances, and insurance. Micro credit organizations, according to the study, are institutions that serve customers who are often turned down by traditional financial institutions. According to the study, the benefit of offering microcredit is that it allows the poor to obtain credit without having to put up collateral, and lenders construct a credit history for the borrower as time passes, instilling a sense of responsibility in the borrower's mind.

**Ritu, Kushawaha, & Srivastava, 2003** - A study of Kanpur Dehat district self-help groups found that there is a strong association between self-help group members, particularly women, and their socioeconomic status and that this relationship has a favourable impact on the group members' socioeconomic status. Ritu, Kushawaha, and Srivastava

**According to academics' research on cash grants and microfinance (Aheeyar, 2006),** the distressed people in the Tsunami have lost not only their livelihood-supporting assets but have also become debt-ridden due to a lack of income to repay their loan/debt. The cash grant and micro finance offered to them by the government, Micro Finance Institutions, and donors to pay off their loans and start over have brought respite to their lives at this time. This form of recovery support in the post-disaster era, according to the researcher, should be started in a well-coordinated manner to produce favourable long-term results.

Microfinance has proliferated worldwide, according to **Bhagat (2009)** in his study paper, thanks to a humble start by Muhammad Yunus. It is financial lending with the participation of a group of people (SHG), which acts as a platform that brings people together and organizes them to learn from and help one another. The researcher has investigated what empowerment and leadership entail in the context of disadvantaged women and SHGs based on her field experience.

**According to Erica and Pande (2008)**, the world of microfinance is opposed to the world of banking, because in the former, loan repayment begins immediately after the loan is disbursed. According to economic theory, a client benefits more when the payback schedule is flexible. Microfinance practitioners, on the other hand, contend that fiscal policy isn't the issue. The default rate was reduced due to the discipline of regular repayment schedules. However, the study's findings demonstrate that flexible repayment periods are better for clients because they lower transaction costs while also lowering the default rate.

**Researchers (Singh and Dara, 2007)** emphasized the challenges and opportunities of microfinance in a study article. According to the experts, India pushed quickly to promote microfinance following its success in Bangladesh. Furthermore, because both the official and informal sectors exist, it is vital to focus more on the formal sector to free the poor from the clutches of money lenders who charge high-interest rates. Microfinance is a long-term solution to the problem of poverty. However, due to a variety of issues such as political meddling, corrupt practices, and so on, the microfinance facility may not produce the anticipated results.

**The researcher (Ramesh, 2007)** has highlighted the SHG's new vibrant function in providing livelihood stability to the poor, which differs from its previous role as a savings and borrowing entity. He also discussed the many types of Micro Finance Institutions that exist in India, including societies, trusts, and corporations. After getting traction in the gang of four states of Tamilnadu, Karnataka, Kerela, and Andhra Pradesh, the researcher discovered that the growing movement is migrating to the states of Orissa, West Bengal, and Assam. SHGs were first mostly supported by banks, but the State Government

eventually joined in, which was a positive step.

**According to Sengupta (2007)**, microfinance is gaining traction in India and is poised to become a major influence. The Self-Help Group (SHG) model, which involves a bank loaning money to a group of (typically) underprivileged women with no collateral, has become a common practice in rural banking. But there is still much more to be done. Furthermore, they have access to financial services such as loans, savings, insurance, and smooth consumption flows, allowing them to diversify their assets and reduce their exposure to the external shocks that they face daily. Financial services offer a cushion against unexpected emergencies, company risk, and seasonal slumps, all of which can push a family into poverty. Despite the country's extensive network of rural bank branches and the implementation of numerous credit-linked poverty alleviation programs, a large number of the poor remain outside the formal banking system, according to a task force report on supportive policy and regulatory framework for microfinance in India (June 2010). Many organizations' experience has proven that the evolution and engagement of community-based organizations at the grassroots level is critical to their success.

**Rutherford (2009)** included a wide range of services aimed at meeting the needs of the impoverished. Microfinance protects poor individuals from shocks while also assisting them in generating income. Distinguished between micro-credit and microfinance in his study. Micro credit, in comparison to microfinance, is a narrower phrase that refers to tiny loans given to the poor, whereas microfinance is a broader term that encompasses attempts to collect savings and provide loans, including micro-credit for various reasons, as well as insurance. Microfinance

Microfinance, according to **Dipanita Deb's (2009)** study paper, is an alternative source of credit for the rural poor that includes financial services in tiny quantities that enable them to persist in several aspects. Microfinance has shown to be quite beneficial, since it has aided many poor people in their upward mobility, allowing them to engage in income-generating activities.



Agriculture is an issue of livelihood and food security, according to **Srinivasa Rao (2009)**, with roughly 60% of the people relying on it. Simultaneously, to compete in the global marketplace, the agriculture sector's productivity and sustainability must be improved. The use of microcredit with the help of banks to meet the credit needs of the rural poor has aided in the achievement of inclusive growth. Various services such as Kisancredit Card Scheme (KCC), Grameen Credit Card, and Bhumiheen Credit Card have been introduced by banks to provide adequate and timely credit support from the banking system to farmers for their cultivation needs and to improve farmer's accessibility to bank credit for production purposes.

Microfinance, according to **Sikidar's study report (June 2009)**, is the provision of financial services to low-income clientele, such as consumers and self-employed people. It also refers to the practice of providing those services sustainably. More broadly, it refers to a movement that envisions a world in which as many poor and near-poor households as possible have permanent access to a suitable range of high-quality financial services, including not only credit but also savings, insurance, and fund transfer to those who promote microfinance to help poor people escape poverty.

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Even though credit has doubled in the last few years, a considerable number of small and marginal farmers, particularly women, continue to have trouble obtaining agricultural credit from official sources, according to the report of the task force on credit-related concerns affecting farmers (**June 2010**). This worrying growth in reliance on moneylenders is concerning.

## **2.7 Research Gaps:**

Small Finance Banks (SFBs) will largely engage in basic banking activities such as accepting deposits and lending to underserved groups. The Government of India (GOI) has planned many steps for financial inclusion for the underprivileged people, prompting a few scholars to concentrate on Small Finance Banks. Thus, a survey of the literature finds that no studies that broadly deal with the Financial Performance of Small Finance Banks from Micro Finance providers have been conducted. The previous study solely looked at customer awareness in Small Finance Banks. The researcher focused very little on Small Finance Banks in both national and international research studies. As a result, the current study is an attempt to bridge this gap. It is dedicated to researching the financial performance of Small Finance Banks as well as customer satisfaction as a microfinance provider in Pune City.

Even though there is a large body of literature devoted to understanding microfinance in-depth and addressing the different concerns surrounding microfinance, it has been determined that the Microfinance and livelihood generation are not being studied in-depth, which might help the poorer members of the society to develop and defend their livelihoods, notably in other countries. Microfinance has aided the poorer sections of society in obtaining money from the organized sector, according to a review of the literature, and has the potential to operate as an accessible input in pursuing diverse livelihood-generating activities. According to the literature reviews, there is a gap between the available literature and the suggested study. As a result, the researcher decided to conduct this research to focus on various concerns linked to microfinance awareness, diverse livelihood activities that can be supported by microfinance, and government attempts to improve livelihood through microfinance.

## **CHAPTER-3**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The primary feature of this research study is to look into the role of SFBs and how they work in a competitive environment. The goal of this chapter is to offer a comprehensive overview of the scientific inquiry method employed. This entire chapter has been divided into parts to support this discussion, covering observations of the SFBs, the study's research problem, the research objectives, and the proposed hypotheses. This study's measurement and scaling methods have been given. The justification for the analysis methodologies used has been presented. It's also worth mentioning that the study served as a pilot test for a questionnaire tool. The pilot study was discussed in depth. Finally, the significance of this work has been examined, as well as its scope and limitations.

As per Research Governance Framework for Health and Social Care, 2nd edition, (2005), "Research may be described as an effort to obtain generalizable new information by using systematic and rigorous techniques to answer specified problems."The research methodology is concerned with the study design as well as the comprehension of the research topic, sampling procedure, research instrument and defining test/s to be used for analyzing data. Once the research problem is identified, it provides the basis for defining objectives and hypothesis to be tested to conclude. It is also helpful for the selection of research instruments to be used for the study.

The study began with the goal of determining the extent to which financial services, in general, and digital financial services, in particular, are inclusive. Using a variety of graphic and descriptive tools, it was observed that there is a 60% population of the nation which is lacking basic banking facilities. Keeping in mind the extensive literature analysis in Chapter 2 of this study, it is observed that the study was conducted to Self Help Groups rather than to assess the performance of SFBs. A considerable research gap

has been found and defined in the relevant chapter of the literature review, based on the quantity of published and unpublished work on this subject. This selected research was essential in determining the most suited research methodology for the current investigation.

### 3.2 Research Gap Analysis

The present study is a significant contribution in terms of understanding the Small Finance Banks registered with RBI in the service sector of Pune City.

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**लाईसेंस सं. एमयूएम : 134**

बैंककारी विनियमन अधिनियम 1949 की धारा 22(1) के द्वारा भारतीय रिज़र्व बैंक को प्रवृत्त शक्तियों का प्रयोग करते हुए **जना स्मॉल फ़ाईनेंस बैंक लिमिटेड** को एतद् द्वारा अर्थात् 28, 2017 के कार्यालय पत्र बैंकिंग एनबीडी (एसएफबी – जेएफएम) सं 12881 / 16.13.216 / 2016-17 में उल्लिखित नियमों और शर्तों के अधीन भारत में लघु वित्त बैंक का कारोबार करने के लिए लाईसेंस प्रदान किया जाता है।

**Licence No. MUM : 134**

In exercise of the powers conferred on the Reserve Bank of India by Section 22 (1) of the Banking Regulation Act, 1949, **Jana Small Finance Bank Limited** is hereby granted a licence to carry on small finance bank business in India subject to the terms and conditions mentioned in the office letter DBR.NBD. (SFB~JFS).No. 12881 / 16.13.216 / 2016-17 dated April 28, 2017.

<p><i>(एस. एस. बारिक)</i>                      (एस. एस. बारिक)                      प्रभारी मुख्य महाप्रबंधक</p>	<p><i>(S.S. Barik)</i>                      (S.S. Barik)                      Chief General Manager-in-Charge</p>
<p>भारतीय रिज़र्व बैंक                      बैंकिंग विनियमन विभाग                      केंद्रीय कार्यालय                      मुंबई - 400 001                      दिनांक: अर्थात् 28, 2017</p>	<p>Reserve Bank of India                      Department of Banking Regulation                      Central Office                      Mumbai - 400 001                      Dated: April 28, 2017</p>



Office: Bidhan Sarani, Rajin, Kolkata, India. Office phone: 91-33-2510-40000  
 Department of Banking Regulation, Central Office, P.O.Box No. 500, 10th floor, Central Office Building, Shaheed Smarok Singh Marg, Mumbai - 400011  
 Website: Mail No: 91-22-22601900. Fax No: 91-22-2210-3349. Email ID: rgnmudr@rbi.org.in

Figure No.3.1 License Copy of Jana Small Finance Bank, Pune from RBI

Source: - <https://www.janabank.com/images/PDF/RBI-approved-bank.pdf>

Several types of research have been carried out on similar themes but below mentioned analysis sufficiently narrated the gap in research.

To begin with, Tanu Tiwari 2012 stated the objective of her study as financial inclusion, with a particular emphasis on small financing and payment institutions. The study shows that detailed analysis has been done that females are needed to be more financially literate than men. Payment banks and small finance banks both are still to reach the masses. People are not literate about the operations of the digital mode of banking and they are still not more techno-savvy.

In the context of, Ventakash S in 2012, SHG members' perceptions of the efficiency of the SHG credit linkage program were studied. According to the findings of this survey, the majority of the respondents had joined an SHG to obtain loans. The majority of the participants used the loan for constructive purposes after receiving it. Their earnings and savings capacities were boosted. Simultaneously, they increased their expenditure on children's education and family welfare, resulting in positive human growth. However, this study was focusing only on SHG.

Excellent research has been carried out by Adkins S.B in 2019, Microfinance is the idea that by giving low-income individuals access to financial services, they can get out of poverty. In the fight against poverty, microfinance plays a role. It's well understood that this isn't always the best approach and it must never be regarded as the exclusive means of alleviating poverty. Microfinance is a type of banking that provides financial services to unbanked, unemployed, or low-income individuals or organizations that would otherwise be unable to acquire them from commercial banks. The ultimate purpose of microfinance is to provide low-income people with a way to save money, borrow money, and ensure themselves, allowing them to become self-sufficient. The study focuses Micro Finance Institutions in general but not on SFBs.

The author Barigidad Y.S. 2010, has offered yet another question Microfinance refers to the provision of small loan facilities or financial services to the poor and needy. The microfinance system through SHGs has a well-developed institutional framework for providing financial services to the disadvantaged to alleviate their poverty. Microfinance through SHGs is a tool for individual development, skill up-gradation, and growth in

entrepreneurial activity in economically backward areas, as well as for poverty eradication. SHGs provide small-scale financing to the underprivileged, which benefits them both economically and socially. SHGs can also give their members a platform for development. Poor people use this platform to get involved in village affairs, run for local elections, and address social and community issues. In light of this, it was thought necessary to investigate the role of microfinance through SHGs and to assess the influence of microfinance on the socioeconomic and political conditions of SHG members. This study is on microfinance on SHGs however, finances for poor and needy people through small finance banks need to be studied.

### **3.3 Demographics of Pune**

#### **3.3.1 City Of Pune:-**

As Mumbai is the financial capital of Maharashtra state, Pune, since a historical time is known as the cultural capital of Maharashtra. The long and rich heritage of Peshwas, Cultural heritage of classical Song and Music, Dance and Art has been the strong arms of the City of Pune. Traditionally, Pune was known as the **Pensioners Paradise** and a **seat of Higher Education**- Sanskrit and Oriental Languages. The **cultural heritage of Pune** is year-marked with places of visit, pilgrimage and historic bravery. Even today, all such geographic locations are the hot spot destination of the visitors - national and foreigners to the city of Pune. Pune is a **strategically located geographical place** on the map of Maharashtra state. It has excellent road, rail, and aviation connections mainly to the financial capital Mumbai and most of the other destinations throughout India. In recent years, Pune is also connected by air to international flights - regular cargo and passenger flights, to and fro the various other parts of the nation and abroad have been an important feature of the city of Pune .

### 3.3.2 Population of City of Pune:

**Table 3.1 Population of City of Pune**

<b>Year</b>	<b>Population</b>
1950	580848
1961	800326
1971	1146386
1981	1708316
1991	2528639
2001	3805854
2011	5107691
2021	6807984

Source: <https://www.census2011.co.in/census/city/375-pune.html>



## Schedule I

Following is the description of the area to be included in the city of Pune:

**Table 3.2:- Area included in Pune City**

Sr. No.	Name of the revenue Village	Area of Village to be included in the area of the city of Pune
1	Mhalunge	Entire Area of the revenue village
2	Sus	Entire Area of the revenue village
3	Bavdhan Budruk	Entire Area of the revenue village
4	Kirkitwadi	Entire Area of the revenue village
5	Pisoli	Entire Area of the revenue village
6	Lohegaon (remaining)	Entire Area of the revenue village
7	Kondthwe Dhawade	Entire Area of the revenue village
8	Kopare	Entire Area of the revenue village
9	Nanded	Entire Area of the revenue village
10	Khadakwasala	Entire Area of the revenue village
11	Shivane / Uttamnagar	Entire Area of the revenue village
12	Hadapasar	Entire Area of the revenue village
13	Mundhwa	Entire Area of the revenue village
14	Manjari Budruk	Entire Area of the revenue village
15	Nhare	Entire Area of the revenue village
16	Shivane	Entire Area of the revenue village
17	Ambegaon Khurd	Entire Area of the revenue village
18	Undri	Entire Area of the revenue village
19	Dhayari	Entire Area of the revenue village
20	Ambegaon Budruk	Entire Area of the revenue village

21	Uruli Devachi	Entire Area of the revenue village
22	Mantarwadi	Entire Area of the revenue village
23	Holkarwadi	Entire Area of the revenue village
24	Autade Handewadi	Entire Area of the revenue village
25	wadachiwadi	Entire Area of the revenue village
26	Shevalewadi	Entire Area of the revenue village
27	Fursungi	Entire Area of the revenue village
28	Nandoshi	Entire Area of the revenue village
29	Mangadewadi	Entire Area of the revenue village
30	Bhilarewadi	Entire Area of the revenue village
31	Gujar Nimbalkarwadi	Entire Area of the revenue village
32	Jambulwadi	Entire Area of the revenue village
33	Kolewadi	Entire Area of the revenue village
34	Wagholi	Entire Area of the revenue village

**Source: - Bombay Provincial Municipal Corporation Act, 1949**

## Schedule II

The revised boundaries of the city of Pune shall be as follows:

**Table 3.3 Boundaries of Pune City**

Sr. No.	Name of the revenue Village	Area of Village to be included in the area of the city of Pune
1	North	the revenue boundary of Kalas, Dhanori and Lohegaon Village
2	North East	the revenue Boundary of Lohegaon and Wagholi Village
3	East	the revenue Boundary of Manjari Budurk, Shewalewadi and Fursungi Village
4	South East	the revenue Boundary of Uruli Devachi, holkarwadi and Awatade Handewadi village
5	South	the revenue Boundary of Dhayari, Wadachi Wadi, Yewale Wadi, Kole wadi and Bhilarewadi
6	South West	the revenue Boundary of Nanded, Khadakwasala, Nandoshi, Kopare Village
7	West	the revenue Boundary of Kondhave Dhawade, Bawdhan Budurk, Bawdhan Khurd, Mhalunge and Sus Village
8	North West	the revenue Boundary of Baner, Balewadi Village and the old limit of PMC

**Source: - Bombay Provincial Municipal Corporation Act, 194**

### **3.3.3 The seat of Higher Education:**

As a seat of higher education, Pune has a long tradition of many Higher education Institutions (HEI). They have successfully proved their fruitful existence over decades and even centuries and above. To quote a few, Deccan College, Fergusson College, Bhandarkar Oriental Research Institute Pune, FTII, ILS Law College, Tilak Maharashtra Vidyapeeth, University of Pune and many others to name. Pune has been recognized as a **strong military base of India** with **Southern Command Headquarters** in Pune, **Central Quality Assurance (CQA)** Khadaki and **Cantonment Board**. Pune is also known for its mark in the field of sports, nurturing the sports talent from young school age, armature and for professionals. Some **sports stadia** both for the indigenous and western events have a long tradition of developing the sports talent emerging from Pune.

### **3.3.4 Industrial Hub:**

Among all, Pune is predominant on the industrial map of India of both Public and Private Sector Industries. Pune has been on the Industrial map of the State of Maharashtra. Since the formation of the State in 1960 and Maharashtra Industrial Development Corporation (MIDC) has set up its Regional Office in Pune, under which some MIDCs have been established to name a few: MIDC Bhosari, Pimpri-Chinchwad, Baramati, Kurkumbh, Ranjangaon, etc. With the changing times, Software Technology parks are also established around Pune. Traditionally the public sector organizations like Hindustan Antibiotics Ltd (HAL), and High Explosives (HE) have laid the foundation. It is further strengthened by the strong presence of many leading private sector organizations like TATA's, Kirloskar's, Bajaj's, Mahindra's and many others. Going with the times, this manufacturing sector hub of industries has transformed into many service sector players. Today, Pune is a well-known hub of IT and IT-enabled industries, Software Technology Parks (STPs), etc. The field of biotechnology and robotics is on the horizon of the industrial map of the city of Pune. All this industrial development has attracted for years together with the young technocrats and industrially skilled labour, besides the ample unskilled labour force. From all the corners and even outside the state of Maharashtra

today, Pune is not only acknowledged on the national and international map but has been instrumental to attract many western-based MNCs to extend the hand of support with foreign collaborations, MOUs and the signing of trade treaties. All this industrious development has been supported by the organizations like Mahratta Chamber of Commerce (MCCIA), Maharashtra Chamber of Commerce (MACCIA), MIDC, MSSIDC, MSFC and others. The present-day industrial setup all over Maharashtra, and more so, surrounding the city of Pune, is developed through State Government supported MIDCs, private industrial estates and scattered individual establishments. Additionally, the Industrial Development and Pune have again been an attraction for MSMEs.

### **3.4 Banking Sector Development:**

Banking Sector has been the backbone of Industrial development. Pune is well supported by the development of banks also. MCCIA was instrumental in starting the bank of Maharashtra from Pune City only! Its headquarters are exclusively in the city of Pune.

Along with this, there is a great network of many commercial banks of the nation in Pune city. After the adoption of the New Banking Policy, in 1991, Private Banks have also been permitted throughout the nation. There is an increasing network of such Private Banks like – ICICI Bank, IDBI Bank, HDFC Bank, etc developed in the city of Pune. Small Finance Banks is yet another initiative in banking that has been well accepted and developed in and around Pune City.

### **3.5 New Age Challenges:**

The city of Pune has transformed from a pure residential hub – **pensioner’s paradise** to an **education city** to a **cultural city** to a **sports city** to an **industrial hub** to **travel** and **medico travel** destination. There is a huge canvas of the city of Pune originally centered in the interior parts of “**Peth**” on the banks of river **Mootha**, slowly spreading its arms into the suburbs of Pune and today with many small towns and villages on the borders

and periphery of the city of Pune, now converting into Pune Metropolis. The huge rising population, demanding civic facilities like schools and colleges, recreation centers, public and private transport, water and sewage arrangements, law and order and safety matters of concern and so on. The new age challenges of the city of Pune are further angulated with the ever-increasing flow of ex-pats entering the city for education, employment and permanent stay.

In recent years, with the new government at Center and State, ambitious projects like **smart city, metro transport, ease of doing business, make in India** and others have been initiated. The new age puts forth many challenges before the new generation of entrepreneurs, government machinery and also the citizens at large.

To sum up, the demographics of the city of Pune are summarized on the important parameters like Population, (As of January 2021) Urban, Semi-Urban; Industry (Major, Medium and MSMEs); Banking (Nationalized, Co-operative, Private sector and small finance); Need and Growth of Small Finance Banks in Pune, Infrastructure of Pune City – National Highway, water supply, electricity, rail, road and air connectivity.

### **3.6 Recent Trends in Banking:**

Besides the Reserve Bank of India, there are many other institutions in the nation supporting the banking activities throughout the country. Some of these institutions may be noted as follows

- College of Agricultural Banking, Pune (1969)
- Indian banks Association (1946)
- Indian Institute of Banking and Finance (The Indian Institute of bankers for JAIIB and CAIIB course), Mumbai (1928)
- National Cooperative Union of India (1929)

All these different institutions are responsible for developing the banking habits and toning up the different types of banks in different parts of our nation. The banking

industry has undergone a lot of change, particularly during the last two years besides the licensing of as many as 10 different small finance banks by the RBI. The important changes in the field of Banking during 2020 and 2021 further may be noted as follows.

- Classification of Enterprises as MSME with effect from 1st July 2020.
- ISS - Interest subvention scheme for MSME by RBI with effect from 3rd March 2020.
- Deposit Insurance Scheme (DICGC) revised from 1 lakh to 5 lakh cover on deposits with effect from 4th of February 2020.
- The premium rate of insurance is revised from 10 Paisa per hundred to 12 Paisa per hundred.
- Board of Management in addition to the Board of Directors for the supervision of the Cooperative sector banking.
- The exposure limit to a connected group of borrowers is reduced from 40 % to 25% of their Tier I capital.
- Priority Sector target is revised from 40 % to 75% for a period from 31st March 2021 to 31st March 2024
- The statement of cooperative identity is defined by International Cooperative Alliance. A cooperative, according to the International Cooperative Alliance, is an independent association of people who have come together voluntarily to achieve their shared economic, social, and cultural needs and ambitions through a jointly owned and democratically run enterprise. As instructions given by the International Cooperative Alliance, there are several cooperative ideals.

These principles are as follows

- A voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education training and information
- Cooperation among cooperatives
- Concern for community

The RBI has come out with different directions regarding Cooperative as well as the small finance banks during the last 2 years. The following are some of these directives:

- Credit is flowing to the micro, small and medium-sized business sectors, 1.7.2020.
- Bank balance sheets - disclosure of information, 25.3.2014.
- Bharat Bill Payment System Policies and Procedures (BBPS), 28.11.2014.
- Positive payment method based on cheque truncation, 25.09.2020.
- Customer protection means making bank clients less liable for illegal electronic banking operations, 14.12.2017.
- The Deposit Insurance and Credit Guarantee Corporation (DICGC) is a financial institution that provides deposit insurance and credit guarantees (DICGC), 04.02.2020.
- Guidelines for Term Fit and Proper Criteria for Chief Executive Officers (CEOs) of Multi-State Banks, 28.02.2014.
- 2016 Insolvency and Bankruptcy Code (IBC), 17.09.2018.
- RBI rules for small and self-help group members - credit report information must be provided, on 26.05.2016.
- RBI recommendations for the establishment of Extension Counters and specialized Bank branches, BR Act 1949.
- Board of Directors Constitution - for a bank, 01.07.2015.
- RBI has revised the Statutory Liquidity Ratio (SLR) investment, BR Act 1949.
- RBI has given specific guidelines for Know Your Customers (KYC norms), 12.07.2018.



Following are the important legal and regulatory aspects of the banking sector in India.

- Banking Regulation Act, 1949.
- SARFAESI Act, 2002.
- Banking OMBUDSMAN Scheme, 2006.
- Consumer Protection Act, 1987.
- The Law of Limitations, 1963.
- Taxation Laws – Income Tax, GST, etc.
- Indian Contract Act, 1872 – Special Contracts like indemnity, guarantee, bailment.

### **3.7 Research Design:-**

"Research design is the concept and organization of investigation so designed, as to provide answers to research questions," writes Kerlinger (1910). The plan is the research's general design or program. The framework is a structure." The research design serves as the foundation for the research framework.

There are two basic research methodologies.

1. **Experimental Research** - This is a type of scientific study in which one or more independent variables are altered or controlled.
2. **Non-Experimental Research** — the nature of the independent variables in this sort of study makes it impossible to change them.

Independent variables are not under the researcher's direct control.

Research kinds are also determined by research design.

Exploratory Study - This type of research examines a topic without attempting to provide a definitive solution to a problem.

Conclusive Research - This type of research provides definitive solutions to research issues. There are two sorts of research, depending on the goal of the study.

A) Fundamental/Basic Research - This type of research is done to expand the body of knowledge.

b.) Applied Research – this form of study is used to identify and solve issues. In a broader sense, the research can be divided into two categories.

- Quantitative Research
- Qualitative Research

Quantitative research is the systematic analysis of any phenomenon by statistical, mathematical, or computational methods. Quantitative research's major goal is to create and test mathematical models, theories, and/or hypotheses about phenomena. Quantitative research is typically carried out utilizing scientific methodologies, such as:

- Models, theories, and hypotheses are developed.
- Research instruments and measurement methodologies are being developed.
- Variable manipulation and experimental control
- Obtaining experimental data
- Data visualization and analysis
- Evaluation of the outcomes

Qualitative research focuses on phenomena that are difficult or impossible to quantify using traditional quantitative approaches. For example, beliefs, meanings, characteristics, and behavior. Qualitative research aims to get a thorough knowledge of human behavior and the factors that impact it. The qualitative technique looks into why and how people make decisions, as well as what, when, and where they make them. As a result, the current study is non-experimental and conclusive. In the beginning, exploratory research served as the foundation for looking into comparable topics. It is also useful in determining the study's objectives. These studies focused on small finance banks and their mobilization of funds. A research instrument is created to collect primary data based on data exploration (literature review). The questionnaire survey is employed as the research instrument in this study. Interviews are also conducted to obtain extra information supporting the research. The researcher collected data using the survey technique to test hypotheses and draw findings based on the analysis. This study is also characterized as quantitative because it uses data from large sample size to assess the findings.

### **3.8 Research problem of the present study**

Generally, the public sector, private sector and co-operative banks are hesitant to lend to low-income groups. In this context, it is essential to study the extent of the microfinance industry's contribution to economic growth. The study will explore the impact of MFIs with banking licenses on a major component of an inclusive economy. The existing literature on MFIs with a banking license in Pune is limited and this study will provide further insight into the impact of MFIs with a banking license, on economic growth.

There is a long track record of giant banks and financial institutions in Maharashtra in general and in Pune city in particular. These financial institutions have set procedures and documentation. Pune is a mixture of tradition, culture, industries, and higher education institutions. A large number of micro and small services of day to day needs have grown. There is a dependence on microfinance by such MFBs. It is necessary to study in-depth the needs of such Micro Finance borrowers and the probable sources of supplies by the Micro Finance Institutions.

Scientifically a research problem may be theoretically presented as  $P(O_j/I, C_j, N)$ . This notation represents the probability that an outcome 'O<sub>j</sub>' will occur, if 'I' select 'C<sub>j</sub>' in 'N'.

In the present research 'I' represent the Small Finance Banks in Pune who have got banking licenses from RBI. Eight Banks have been considered as 'I' for this study.

The outcome 'O<sub>j</sub>' is observed to be the Performance of these banks from the point to view of the customers through the comparative study with the other commercial banks.

The course of action represented by the 'C<sub>j</sub>' can be defined as the micro-credit made available by these small finance banks for their microfinance borrowers.

The N is Micro and Small Finance Borrowers or the Small Finance Bank's Customers. With the help of this statement of the problem, the present study has put efforts into investigating concrete research questions, such as; (a) what are the offers made by the Small Finance banks; (b) what are the efforts differently made by the SFB's for their borrowers or customers; (c) whether or not bank clients are happy with the service they received) which are the additional facilities provided by the RBI to these SFBs. These

questions may be considered as an addition to the statement of research problems. This is justified by the different interviews and interactions with experts.

### **3.9 Research Questions:**

1. Does Microfinance Institutions make availability of funds (mobilization of funds) through the availability of micro loans?
2. Is there any correlation between the financial objectives achieved by the borrowers and the sustainability of those objectives due to the availability of loans (mobilization of funds)?
3. Do the borrowers perceive differently about transacting with MFI/SFB due to their association period with the bank?
4. Does satisfaction towards MFI's operations of the borrowers differ amongst the qualification group?
5. Is there a difference perceived by borrowers about sustainability due to their age group?

### **3.10 Objectives of the Study:**

1. To study the fund mobilization of Microfinance Institutions through the availability of microloans
2. To study the correlation between financial objectives and the sustainability of the borrowers.
3. To study the association period and ease of doing the business with MFI
4. To study the correlation between education qualification and the satisfaction level of the borrowers
5. To study the correlation between sustainability of the borrowers based on their age group

### **3.11 Hypothesis of the Study:**

Hypotheses have been developed and provided below in light of the discussions held in the sections on the statement of research difficulties and objectives of the current study.

#### **Pre loan Transactions: - Hypothesis 1:**

- Ho 1: There is no correlation between the financial objectives achieved by the respondents and the sustainability of those objectives due to the availability of loans
- H1 1: There is a correlation between the financial objectives achieved by the respondents and the sustainability of those objectives due to the availability of loans

#### **During Loan Transactions: - Hypothesis 2:**

- Ho 2: There is no difference perceived by the respondents about transacting with MFI/SFB due to their association period with the bank.
- H1 2: There is a difference perceived by the respondents about transacting with MFI/SFB due to their association period with the bank.

#### **After Repayment: - Hypothesis 3:**

- Ho 3: There is no difference perceived by the respondents towards the satisfaction with MFI operations due to educational qualification -
- H1 3:-There is a difference perceived by the respondents towards the satisfaction with MFI operations due to educational qualification.

#### **Hypothesis 4:**

- Ho 4: - There is a difference perceived by respondents about sustainability due to their age group.
- H1 4: - there is no difference perceived by the respondents about sustainability due to their age group.

Chapter four on the analysis of data contains a detailed analysis and interpretation of the hypothesis testing.

### **3.12 The Research Database**

Accordingly, the present investigation depends on both Primary and Secondary sources of data.

#### **3.12.1 Primary Data**

Naturally, the current research relies on two well-known data sources: Primary and Secondary data. As a result, in this subject, an effort has been made to give a full discussion on primary data.

As has been mentioned in the statement of the research problem, the Small Finance Banks and their Customers are considered as a primary focus under an investigation of the present study. Though, to the extent of the geographical scope of the present study (PUNE), there are a total of 8 Small Finance Banks with banking licenses that have been considered for the present study, namely, (1) A U Small Finance Bank, (2) Fincare Small Finance Bank, (3) Suryoday Small Finance Bank, (4) Utkarsh Small Finance Bank, (5) Equitas Small Finance Bank and (6) ESAF Small Finance Bank (7) Ujjivan Small Finance Bank (8) Jana Small Finance Bank.

There are a total of 10 small finance banks that have got the license from RBI but only above mentioned 8 small finance banks are operating from Pune, considered the population of the present study.

#### **3.12.2 Population**

The population is referred to as the totality of the entire units under investigation, subject to the mentioned criteria covering, Population Element, Sampling Unit, Extent and time. In the case of the present study, an element of the population is said to be customers of

Small Finance Banks. Finally, in regards to the extent of the population; Pune City consisting of the Pune Municipal Corporation has been considered. According to the District Socio-Economic Report published in 2019, by the economic and statistics Survey of Maharashtra, the Total population of the urban Pune City is estimated to the 32.74 Lakh.

### **3.12.3 Sampling Frame**

The sampling frame refers to the representation of the elements of the target population. In the case of the present study, eight small finance bank managers and their customers in Pune are considered to be the sampling frame of the present study. For this research, the sample design is as follows

Universe: Bankers and Banking Customer

Sampling Frame: Banks and Customers from Pune

Several customers from Pune city have been obtained from the respective small finance bank branches of the representing units of (1) A U Small Finance Bank, (2) Fincare Small Finance Bank, (3) Suryoday Small Finance Bank, (4) Utkarsh Small Finance Bank, (5) Equitas Small Finance Bank and (6) ESAF Small Finance Bank (7) Ujjivan Small Finance Bank (8) Jana Small Finance Bank.; Both details jointly form the sampling frame. A detailed discussion of this sampling frame has been offered in the section on sample size determination.

### **3.12.4 Sampling Unit**

The basic unit comprising the elements of the target population is the sampling unit. Customers from Pune are in large numbers have been obtained from the respective small finance bank branches of the representing units of (1) A U Small Finance Bank, (2)



Fincare Small Finance Bank, (3) Suryoday Small Finance Bank, (4) Utkarsh Small Finance Bank, (5) Equitas Small Finance Bank and (6) ESAF Small Finance Bank (7) Ujjivan Small Finance Bank (8) Jana Small Finance Bank.

### **3.12.5 Sampling Technique**

Simple Random Sampling –

Customers and bankers were chosen as respondents for the research to cover all types of queries.

### **3.12.6 Sample Design**

The detailed procedure for deciding the sample size is said to be the sample design to the extent of population size. Now in this study, it is to be noted that the stratified probability sampling technique has been applied as a sample design.

### **3.12.7 Sample Size:**

#### **Calculation of sample size for the main study:**

Sources for the calculation of sample size

- 1) Organizational Research: Determining Appropriate Sample Size in Survey Research - James E. Bartlett, II

- Joe W. Kotrlik
- Chadwick C. Higgins

[Information Technology, Learning & Performance Journal, Vol. 19, No. 1, Spring

2001]

2) Statistical Methods – Dr. S.P. Gupta

Sultan Chand & Sons Educational Publishers, New Delhi. Page No.83

The data is categorical. Hence the Cochran's sample size formula for categorical data is used.

The minimum sample size is given by,

$$n_0 \geq \frac{Z_{\alpha/2}^2 s^2}{d^2}$$

Where Z value at half alpha level can be obtained from the statistical table;

s is the estimate of standard deviation in the population that is an estimate of standard deviation for 5 point scale & d is the acceptable margin of error the researcher is willing to expect.

Here the error d decided is  $5*0.01$  for 5 point scale.

Std = 0.6612 (Standard deviation of all five point scales which is evaluated from the data collected for pilot study) &  $s = 5*std/6 = 0.5510$

$Z_{0.025} = 1.96$  [from statistical table].

$$n_0 \geq \frac{1.96^2 * 0.5510^2}{(5*0.01)^2}$$

$$n_0 \geq 466.52$$

Hence minimum sample size for the study is 467 with a 95% level of confidence.

The population size is 115382 & the required sample size is 467. Since this sample size does not exceed 5% of the population size ( $115382 \times 0.05 \approx 5770$ ); Cochran's (1977) correction formula cannot be used to reduce the final sample size further.

Hence the minimum sample size is 467.

The sample collected for the study is 476. Hence sample size for the main study is 467.

### **3.13 Secondary Data**

Journals, magazines, books, published literature, and referred libraries were used to gather secondary data. For the current study, this secondary data was largely used to improve knowledge of the phenomena of current performance and expansion of small financial institutions, particularly in the city of Pune.

All of this information may be found on the internet and can also be found in the literature review chapter. Several books and magazines have examined these phenomena, and there is a wealth of literature in this area available in several periodicals and Reserve Bank of India papers. All of these secondary data sources were relevant to the time specified in the period, scope, and limitation section, as well as the location and related activity. Some of this information was also used in the current study.

Moreover, the secondary data has been used for enhancing the understanding of the concept of new entrants in the banking industry i.e. small finance banks and designing of the questionnaire. The secondary data also have been used for defining the population of the present study.

The secondary data was also obtained from several renowned libraries in Pune. The Library of Tilak Maharashtra University, Pune and British library, Gokhale Institute Library, and BMCC Library have been frequently visited and referred.

### **3.14 Measurement and Scaling**

Although the construction of the questionnaire instrument was entirely based on topic mapping with research goals and objectives, the tool utilized in this study was built using extensive literature evaluation. When designing the questionnaire instrument, measures were taken. The entire study was built on a well-structured and prepared questionnaire. To facilitate this discussion, the questionnaire employed in this study was divided into two parts:

- 1) A structured questionnaire for Small Finance regional leaders, i.e. eight regional heads, and
- 2) A structured questionnaire for consumers of these banks.

The replies to the broad parameters were quantified using the Five Point Likert Scale, which measures the level of agreeability.

### **3.15 Methods of Analysis**

MS Excel and SPSS were used to examine the original data. MS Excel was used to create the principal two-way tables and charts. SPSS was used to perform advanced analysis using statistical techniques. Simple mathematical operations such as summation, percentages, and count were performed throughout the examination of the original data. The primary data has also been described using descriptive statistical processes such as arithmetic mean, standard deviation, and variances.

MS Excel was used to create the graphical display of the data, and relevant charts such as bar diagrams and pie charts were used.

### **3.16 Pilot Study**

This pilot project's main goal was to validate the questionnaire instrument, with a secondary objective of looking into the feasibility of testing hypotheses. In this case, the

hypotheses have already been tested and provided in the analysis chapter, along with their interpretation.

### 3.17 Reliability

Reliability is the statistical term used to validate the research tool being used in the research. In the present research structured questionnaire has been used as a tool to capture the data from respondents. Thus a total of 53 responses have been collected from the small finance bank customers of Pune for the pilot study. A well-known statistical tool, namely Cronbach's Alpha has been used to test the reliability of the questionnaire tool. It is the commonly used statistical tool for testing the internal consistency of the selected items measured on the questionnaire tool.

For checking the reliability of data gathered through a questionnaire, the Cronbach alpha test was carried out. Cronbach's alpha is considered a measure of scale reliability. Internal consistency of the questionnaire is well tested with the help of the Cronbach alpha test. It demonstrates how closely a bunch of objects is connected. If Cronbach alpha is greater than 0.7 then reliability is acceptable.

The questionnaire includes 10 questions (52 sub-questions) related to the study.

The reliability of the questionnaire is calculated as follows.

<b>Reliability Statistics</b>	
Cronbach's Alpha	No. of Items
.776	52

**Table 3.4 Reliability Statistics**

The reliability of the questionnaire i.e. the Cronbach alpha = 0.776

Hence the Cronbach alpha; reliability of the questionnaire is better.

**Table: 3.5 Item wise Cronbach Alpha**

<b>Item-Total Statistics</b>		
Sr.No.	Particulars	Cronbach's Alpha if Item Deleted
Q.1)	Whether your loan requirements are satisfied by Micro Finance Banks:	.777
Q.2)	How Micro Finance Banks cater to your different financial needs [1) Livelihood includes – Daily Family Needs	.747
	How Micro Finance Banks cater to your different financial needs[2) To develop Saving habits for myself	.745
	How Micro Finance Banks cater to your different financial needs [3)For creating employability for others	.746
	How Micro Finance Banks cater to your different financial needs [4) Earnings for becoming self-reliant	.749
	How Micro Finance Banks cater to your different financial needs [5) For allied Business / Trade	.745
	How Micro Finance Banks cater to your different financial needs [6) For illness in the family	.745
	How Micro Finance Banks cater to your different financial needs [7) For House Building	.760
	How Micro Finance Banks cater to your different financial needs [8) For Marriage of Daughter / Son	.762
	How Micro Finance Banks cater to your different financial needs [9) Repayment of old debts	.774
Q.2 A)	Whether you have Received a Loan for these Needs [1) Livelihood includes – Daily Family Needs	.752
	Whether you have Received a Loan for these Needs [2) To develop Saving habits for myself	.773
	Whether you have Received a Loan for these Needs	.783

	[3]For creating employability for others	
	Whether you have Received a Loan for these Needs [4] Earnings for becoming self-reliant	.785
	Whether you have Received a Loan for these Needs [5] For allied Business / Trade	.784
	Whether you have Received a Loan for these Needs [6] For illness in the family	.778
	Whether you have Received a Loan for these Needs [7] For House Building	.776
	Whether you have Received a Loan for these Needs [8] For the Marriage of a Daughter / Son	.778
	Whether you have Received a Loan for these Needs [9] Repayment of old debts	.771
Q.3)	How long have you been associated with Micro Finance Banks?	.774
Q. 4)	Whether you have approached other banks?	.769
Q.5)	Whether you have received Loans from other banks?	.768
Q.6)	Why do you prefer Micro Finance Banks over other banks? 1) Lesser period for sanction/ approval of the loan.	.777
	Why do you prefer Micro Finance Banks 2) Assurance for getting loans	.777
	Why do you prefer Micro Finance Banks over other banks? 3) Easy Documentation	.777
	Why do you prefer Micro Finance Banks over other banks? 4) Lesser Interest Rate	.775
	Why do you prefer Micro Finance Banks over other banks? 5) Time-consuming procedure in other Banks	.779
	Why do you prefer Micro Finance Banks over other banks? 6) Delay in Disbursement of the loan in other	.783

	Banks	
	Why do you prefer Micro Finance Banks over other banks? 7) Affordable terms and conditions	.781
Q.6 A)	Why do you prefer other banks 1) Lesser period for sanction/ approval of the loan.	.779
	Why do you prefer other banks 2) Assurance for getting loans	.781
	Why do you prefer other banks 3) Easy Documentation	.779
	Why do you prefer other banks 4) Lesser Interest Rate	.778
	Why do you prefer other banks 5) Time-consuming procedure in Micro Finance Banks	.785
	Why do you prefer other banks 6) Delay in Disbursement of the loan in Micro Finance Banks	.783
	Why do you prefer other banks 7) Affordable terms and conditions	.783
Q. 7)	Your opinion about the overall ambiance of the Micro Finance Banks 1) Bank's physical facilities are visually appealing.	.777
	Your opinion about the overall ambiance of the Micro Finance Banks 2) Bank has up--to date types of equipment	.777
	Your opinion about the overall ambiance of the Micro Finance Banks) 3) Bank's employees are polite and alert	.776
	Your opinion about the overall ambiance of the Micro Finance Banks 4) Employees of the Bank give personal attention to customers.	.775
	Your opinion about the overall ambiance of the Micro Finance Banks 5) Bank supports my business development	.774



	Your opinion about the overall ambiance of the Micro Finance Banks 6 )Bank provides services promptly	.773
	Your opinion about the overall ambiance of the Micro Finance Banks 7) Bank keeps its accurate records	.779
	Your opinion about the overall ambiance of the Micro Finance Banks 8) Bank keeps confidentiality	.775
	Your opinion about the overall ambiance of the Micro Finance Banks 9) When you have financial problems, is the bank considerate?	.775
	Your opinion about the overall ambiance of the Micro Finance Banks 10) Bank's operating hours are convenient	.775
Q.8	Service Fairness of Small Finance Banks 1) I am treated with courtesy and respect.	.774
	Service Fairness of Small Finance Banks 2) Bank treats all their customers equally.	.775
	Service Fairness of Small Finance Banks 3) Bank gives clear guidelines to their customers	.775
	Service Fairness of Small Finance Banks 4) Bank guides me in my future developments	.776
Q.9	The government should encourage microfinance banks to support small businesses?	.775
Q.10	Do you feel your financial and social status has improved after taking a loan from Micro Finance Banks?	.774

If the reliability alpha (if the question is deleted) is less than 0.776, then the corresponding question is important (must be kept in the questionnaire). If the reliability alpha (if the question is deleted) is greater than 0.776, then the corresponding question is unnecessary (must be removed from the questionnaire).

Since there is no high variation of the reliability alpha (if the question is deleted) from the Cronbach alpha, which is 0.776; all the questions are equally important. Hence the same questionnaire is applied to the main study.

### **3.18 Data Analysis**

Procedure: Altogether, 476 responses were checked and segregated as per the type of questions asked. It includes –the data related to Ranked or Multiple-choice questions and data collected with the help of Likert Type questions. Hypothesis testing is mainly based on Likert-type questions supported by ranked or multiple-choice questions. An analysis is carried out by using the chi-square test and also establishing Correlation then followed by Nonparametric Testing by using SPSS.

Assumptions & Limitations: Assumptions are realistic expectations which is something the researcher believes to be true. These are accepted principles without any proof. It was assumed that all the respondents are using banking technology and they know the basics of usage. Utmost care was taken while designing the questionnaire to receive an appropriate response from the respondents. It was expected that participants in the questionnaire survey should understand and fill it properly in all respects. It was also assumed that the banks considered for the study are adopted new technology and using it appropriately to serve the customers. Cooperation from all types of respondents was expected in the support of the said study.

### **3.19 Limitations of the Study**

The geographical scope of this study is limited to the administrative boundaries of the Pune Municipal Corporation. The study was restricted to 8 Small finance banks only. The banks were from the Pune region only. Though the large sample size was taken for the preciseness of the study, it may be possible that it is not representing the universe to the fullest extent. Getting responses in time was another constraint. The time consumed for gathering all the responses was high as compared to what was planned. However, to overcome the limitations and maintain the effectiveness of the research work sincere efforts were put in.

### **3.20 Summary**

This chapter discussed research design in detail. It was followed by information about the research objective and research hypothesis framed for the study. The further sample design process has discoursed in depth followed by a conversation about the research instrument in detail. The statistical hypotheses statements were outlined. Descriptions of variables-related hypothesis are given in detail. Assumption and limitations were stated for the current study. The next chapter will talk about analysis and findings based on the research methodology discussed in this chapter.

## CHAPTER 4

### **Analysis of Customer's Perspective and level of satisfaction towards Micro Finance Institutions**

#### **4.1 Introduction: -**

Percentage analysis is a fundamental statistical procedure that is widely employed in the analysis and interpretation of primary data. It is concerned with the number of respondents who responded to a certain question as a percentage of the entire population chosen for the study. It is one of the most basic types of analysis, and the results of the research are easily understood by anyone. It is typically utilized by commercial research organizations and is illustrated using various diagrams.

Percentage analysis is a technique for representing a raw stream of data as a percentage (aside from 100%) for a better comprehension of the data obtained. The method for developing a percentage frequency distribution entails first identifying the total number of observations to be characterized, then including the total number of observations within each data point or grouping of data points, and finally dividing the total number of observations by the number of observations within every data point or grouping of data points. Percentages are used to build a comparison between two or more data sequences. A percentage was issued to determine the relationship between the sequences.

$$\text{Percentage} = \frac{\text{Number of Respondents}}{\text{Total Number of Respondents}} * 100$$

In this chapter, the percentage analysis method is used to create a table from a frequency distribution and present the data obtained for a better understanding of customers' perspectives toward small financing institutions and their degree of satisfaction.

## **4.2 Data collection**

### **4.2.1 Data collection process**

For data collection, both primary and secondary method has been adopted. In the primary data collection, data has been collected through a survey by administering a structured questionnaire.

Secondary data has been collected by studying literature reviews and various books and periodicals, websites and RBI

### **4.2.2 Questionnaire design**

The questionnaire distributed for the study consists of 53 Questions. The first 5 questions are Descriptive and the next 48 questions are divided into three sections Pre-Loan Period, during the loan Period and Post Loan Experience of respondents

#### **Pre Loan Period-**

- 1 to 23 Questions are about the Financial Objectives of the respondents

#### **During Loan Period**

- 24 to 41 Questions are about the Ease of Doing Business

#### **Post Loan Period**

- 42 to 48 Questions are about satisfaction and service fairness

All the questions are based on a 5-point Likert scale (1 being strongly disagreed and 5 being Strongly agreed). The entire questionnaire is divided into two sections. The first section is the demographic section; the second section is of variables such as Financial Objective, Ease of doing business and Satisfaction and service fairness.

#### **4.3 The Demographic questionnaire consisted of–**

- Gender
- Age Group:
- Education Qualification
- Monthly Income
- Association with Micro Finance Banks.

##### **4.3.1 Administration of the questionnaire**

About 556 copies of questionnaires were distributed. Out of which 510 Responses were received and out of 510, 476 responses were shortlisted which were genuine.

## 4.4 Definition of Variables

The variables used in hypothesis testing are defined as given below.

### 4.4.1 Variable1: Financial Objectives

This variable is based on the responses to the following questions from the questionnaire.

2	<b>What are your different financial needs?</b>
2.1	Livelihood includes – Daily Family Needs
2.1	To develop Saving habits for myself
2.3	For creating employability for others
2.4	Earnings for becoming self-reliant
2.5	For allied Business / Trade
2.6	For illness in the family
2.7	For House Building
2.8	For Marriage of Daughter / Son
2.9	Repayment of old debts



#### 4.4.2 Variable 2: Sustainability

This variable is based on the responses to the following questions from the questionnaire.

3	<b>Whether you have Received a Loan for these Needs</b>
3.1	Livelihood includes – Daily Family Needs
3.2	To develop Saving habits for myself
3.3	For creating employability for others
3.4	Earnings for becoming self-reliant
3.5	For allied Business / Trade
3.6	For illness in the family
3.7	For House Building
3.8	For Marriage of Daughter / Son
3.9	Repayment of old debts

#### 4.4.3 Variable 3: Ease of Doing Business with MFI/SBF

This variable is based on the responses to the following questions from the questionnaire.

6	<b>Service Fairness of Micro Finance Banks</b>
6.1	Lesser period for sanction/ approval of the loan.
6.2	Assurance for getting loans
6.3	Time-consuming
6.4	Time-consuming procedure in other Banks
6.5	Delay in Disbursement of the loan in other Banks
6.6	Easy terms and conditions

#### **Variable 4.4.4: Satisfaction toward MFI/SBF Operations**

This variable is based on the responses to the following questions from the questionnaire.

7	<b>Your opinion ambience the overall ambience of the Micro Finance Banks</b>
7.1	Bank's physical facilities are visually appealing.
7.2	Bank has up--to date types of equipment
7.3	Bank employees are polite and alert
7.4	Employees of banks give personal attention to customers.
7.5	Bank supports my business development
7.6	Bank provides services promptly
7.7	Bank keeps its accurate records
7.8	Bank keeps the confidentiality of my records
7.9	When you have financial problems, is the bank considerate?
7.10	Bank's operating hours are convenient

#### **4.4.5 Variable 5: Service Fairness**

This variable is based on the responses to the following questions from the questionnaire.

8	<b>Service Fairness of Micro Finance Banks</b>
8.1	I am treated with courtesy and respect.
8.2	Bank treats all its customers equally.
8.3	Bank gives clear guidelines to the customers
8.4	Bank guides me in my future developments

#### **4.5 Data analysis technique implemented**

Chi-Square analysis, multiple regression, and correlation were the data analytic tests employed in this study. The results have been analyzed using statistical methods. With the use of descriptive statistics, version 20 of the Statistical Package for the Social Sciences (SPSS) was used to evaluate preliminary data and give a brief analysis of the study sample such as means, standard deviations, frequencies, and relationships. Multiple regressions were used to test the measurement model.

## 4.6 Descriptive statistics

Table 4.1 Age of the respondents

Age in Years	No. of Respondents	Percentage
18-25	40	8.40
26- 40Years	108	22.69
<b>41-55 Years</b>	<b>298</b>	<b>62.61</b>
Above 56Years	30	6.30
<b>Total</b>	<b>476</b>	<b>100</b>

Source: Primary Data

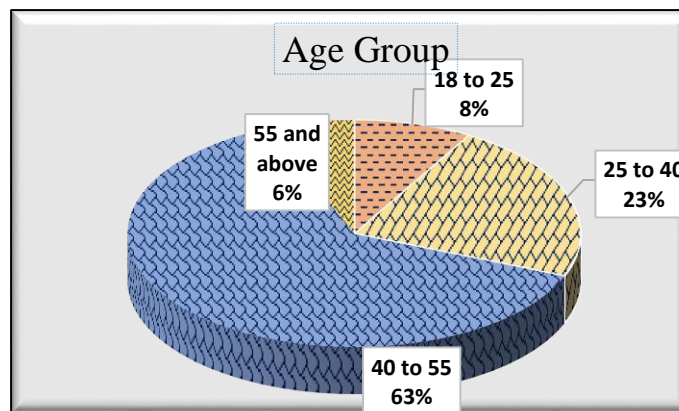


Figure 4.1 Age group of the Respondents

### Interpretation

The above Table 4.1 presents the classification of respondents according to their age. Among the 476 respondents, 8.40% are between the age group below 18-25 years, while 22.69% of the respondents are between the age group 25- 40 years, 62.61% of the respondents are between the age group 40-55 years and only 6.30% of the respondents are above 55 years of age.

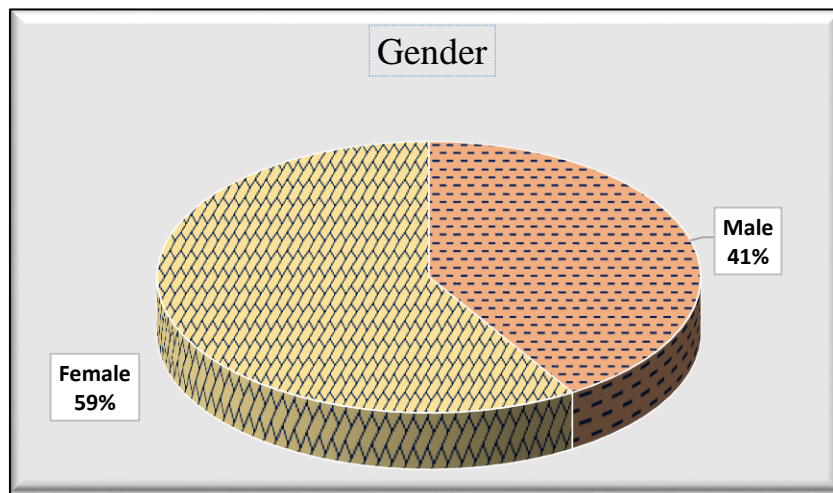
### Inference

The majority of the respondents are between 40-55 years which is 62.61 %.

**TABLE 4.2 Gender of the respondents**

<b>Gender</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Male	196	41.18
<b>Female</b>	<b>280</b>	<b>58.82</b>
<b>Total</b>	<b>476</b>	<b>100.0</b>

Source: Primary Data



**Figure 4.2 Gender of the respondents**

### **Interpretation**

The above Table 4.2 presents the classification of respondents according to their gender. Among the 476 respondents, 41.18 % of the respondents are male, while **58.82%** of the respondents are Female.

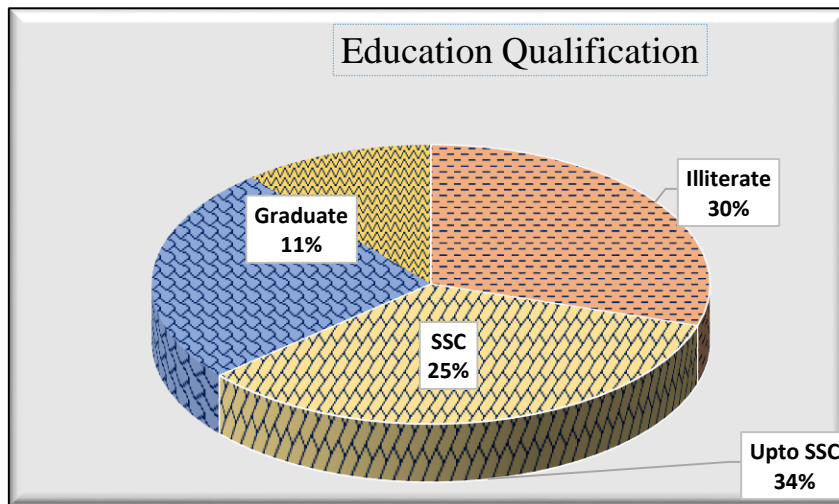
### **Inference**

The majority of the respondents are female constituting 58.82%.

**TABLE 4.3 Educational Qualification of the respondents**

Literacy Level	No. of Respondents	Percentage
Illiterate	142	29.83
Up to SSC	161	33.82
<b>SSC</b>	<b>120</b>	25.21
Graduate	53	11.14
<b>Total</b>	<b>476</b>	<b>100</b>

Source: Primary Data



**Figure 4.3 Educational Qualifications**

### **Interpretation**

The above Table 4.3 presents the classification of respondents according to their literacy level. Among the 476 respondents, 29.83% are Illiterate, while 33.82% of the respondents have studied up to SSC level, 25.21% of the respondents are completed SSC level, and 11.13 % of the respondents are graduates.

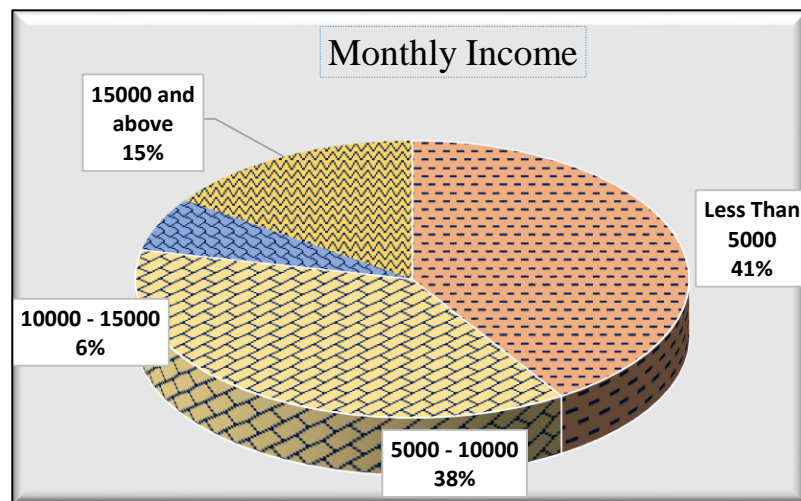
### **Inference**

The majority of the respondents are up to the SSC level which constitutes 33.82%.

**Table 4.4 Monthly Incomes of the Respondents**

Monthly Income	No. of Respondents	Percentage
Up to 5,000	195	40.97
5000 - 10000	178	37.39
10000 -15000	30	6.30
Above 15000	73	15.34
<b>Total</b>	<b>476</b>	<b>100</b>

Source: Primary Data



**Figure 4.4 Monthly Incomes**

### **Interpretation**

The above Table 4.4 presents the classification of respondents according to their monthly income. Among the 476 respondents, **40.97 %** of the respondents are between a **monthly income of up to 5,000**, while 37.39 % of the respondents are between a monthly income of 5,000-10,000, 6.30 % of the respondents are between a monthly income of above 10000-15000 and 15.34 % of the respondents are above 15,000 of monthly income.

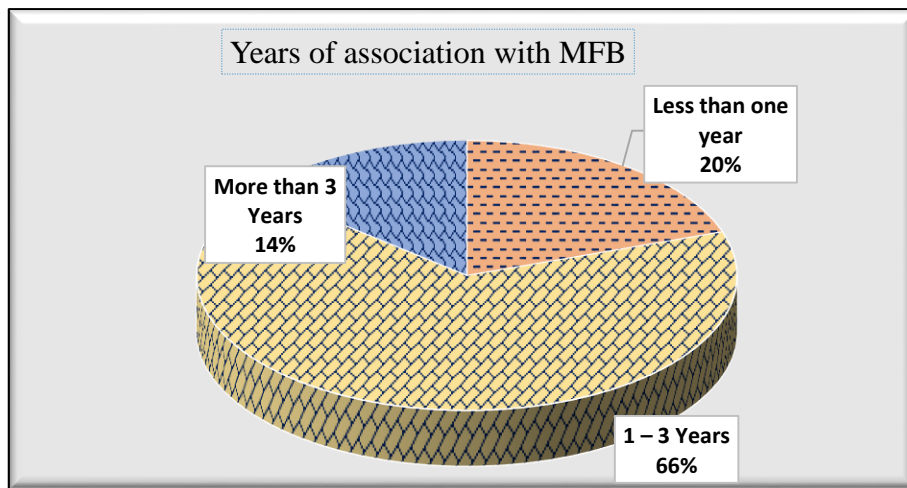
### **Inference**

The majority of the respondents are up to 5, 000 monthly incomes which constitutes 40.97%.

**Table 4.5 Years of Association with bank**

<b>Customer</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Below one year	94	19.75
One year to three years	<b>315</b>	<b>66.18</b>
Above three years	67	14.08
<b>Total</b>	<b>476</b>	<b>100</b>

Source: Primary Data



**Figure 4.5 Years of Association with bank**

### **Interpretation**

The above Table 4.5 presents the classification of respondents according to years of Association of customers with the bank. Among the 476 respondents, 19.75% are below one year, while 66.18% of the respondents are between 1-3 years, and 14.08% of the respondents are above three years.

### **Inference**

The majority of the respondents are between one to three years which constitutes 66.18%.



## 4.7 Testing of Hypothesis

**Hypothesis 1:** To test the Hypothesis,

The Null Hypothesis,  $H_0$ : There is no correlation between the financial objectives achieved by the respondents and the sustainability of those objectifies due to the availability of loans.

Vs.

The Alternative Hypothesis,  $H_a$ : There is a correlation between the financial objectives achieved by the respondents and the sustainability of those objectifies due to the availability of loans.

This hypothesis is assessed by Pearson's correlation coefficient.

Calculation Table:

**Table 4.6 Correlation coefficient financial objectives achieved by the respondents and the sustainability of those objectifies due to the availability of loans.**

<b>Correlations</b>			
		Financial Objectives	Sustainability
Financial Objectives	Pearson Correlation	1	.692**
	P-value (2-tailed)		.000
	N	476	476
Sustainability	Pearson Correlation	.692**	1
	P value (2-tailed)	.000	
	N	476	476
**. Correlation is significant at the 0.01 level (2-tailed).			

Since the p-value  $< 0.05$ , is the level of significance; there is strong evidence to reject the null hypothesis.

Conclusion:

There is a correlation between the financial objectives achieved by the respondents and the sustainability of those objectifies due to the availability of loans.

**Hence alternative Hypothesis 1 is being accepted.**

**Hypothesis 2:** To test the Hypothesis,

The null hypothesis, H<sub>0</sub>: There is no difference perceived by the respondents about the Ease of Doing Business with MFI/SBF due to the association period with MFB.

Vs.

The alternative hypothesis, H<sub>a</sub>: There is a difference perceived by the respondents about Ease of Doing Business with MFI/SBF due to association period with MFB.

The test used is one-way ANOVA.

Calculation Tables:

**Table 4.7 Ease of Doing Business with MFI/SBF Descriptive**

<b>Descriptive</b>				
Ease of Doing Business with MFI/SBF				
	N	Mean	Std. Deviation	Std. Error
Less than one year	94	26.9043	3.12489	.32231
1 – 3 Years	315	27.3714	2.98165	.16800
More than 3 Years	67	22.5970	6.62653	.80956
Total	476	26.6071	4.06980	.18654

**Table 4.8 Annova of Ease of Doing Business with MFI/SBF**

<b>ANOVA</b>					
Ease of Doing Business with MFI/SBF					
	Sum of Squares	df	Mean Square	F	P-value
Between Groups	1269.735	2	634.868	45.514	.000
Within Groups	6597.801	473	13.949		
Total	7867.536	475			

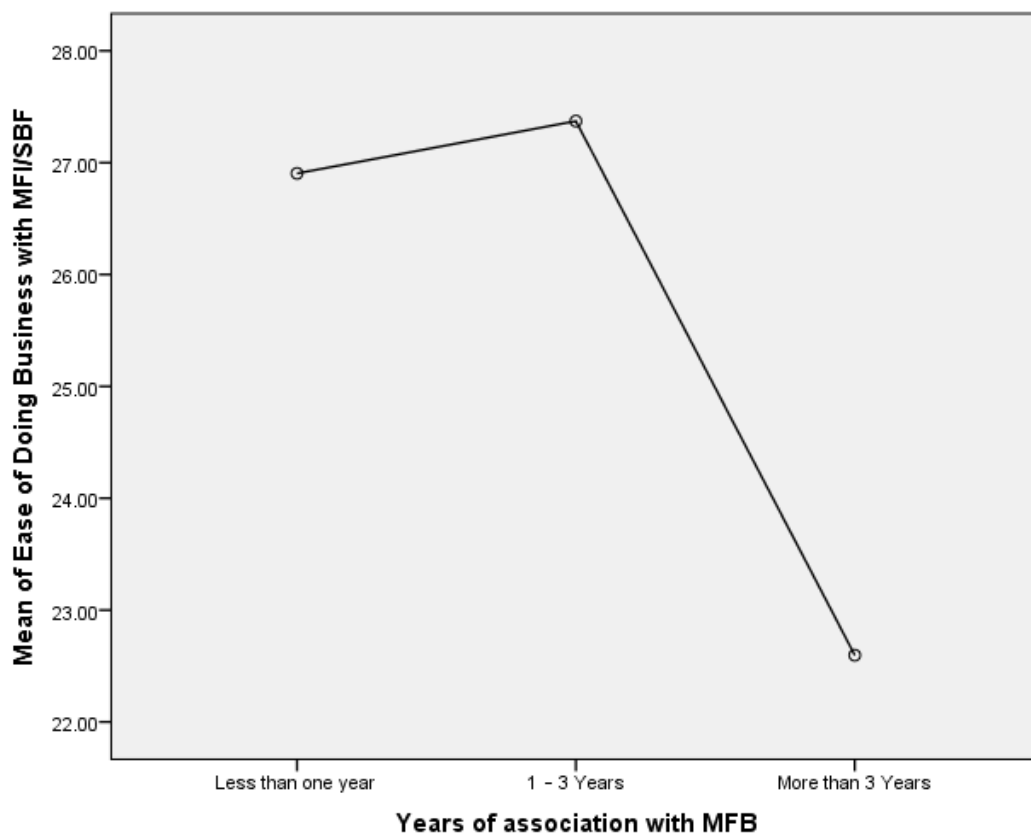
Since the p-value  $< 0.05$ , is the level of significance; there is strong evidence to reject the null hypothesis.

Conclusion:

There is a difference perceived by the respondents about the Ease of Doing Business with MFI/SBF due to the association period with MFB.

The Means Plot:

The means plot showing the means of all Groups is given below.



**Figure 4.6 Mean plots of ease of doing business with MFI/SBF due to association period with MFB.**

**Summary:**

The group of highest agreement is 1 – 3 Years; then Less than one year and lastly More than 3 Years.

**Hence alternative Hypothesis 2 is being accepted.**

**Hypothesis 3:** To test the Hypothesis,

The null hypothesis, H<sub>0</sub>: There is no difference perceived by the respondents about Satisfaction towards MFI/SBF Operations due to their educational qualification.

Vs.

The alternative hypothesis, H<sub>a</sub>: There is a difference perceived by the respondents about Satisfaction towards MFI/SBF Operations due to their educational qualification.

The test used is one-way ANOVA.

Calculation Tables:

**Table 4.9 Satisfaction with MFI/SBF Operations Descriptive**

<b>Descriptive</b>				
Satisfaction toward MFI/SBF Operations				
	N	Mean	Std. Deviation	Std. Error
Illiterate	142	42.5211	9.00096	.75534
Up to SSC	161	45.0062	4.93520	.38895
SSC	120	44.5667	5.07214	.46302
Graduate	53	42.9245	7.15179	.98237
Total	476	43.9223	6.74531	.30917

**Table 4.10 Annova of Satisfaction towards MFI/SBF Operations**

<b>ANOVA</b>					
Satisfaction toward MFI/SBF Operations					
	Sum of Squares	df	Mean Square	F	P-value
Between Groups	570.529	3	190.176	4.266	.005
Within Groups	21041.595	472	44.580		
Total	21612.124	475			

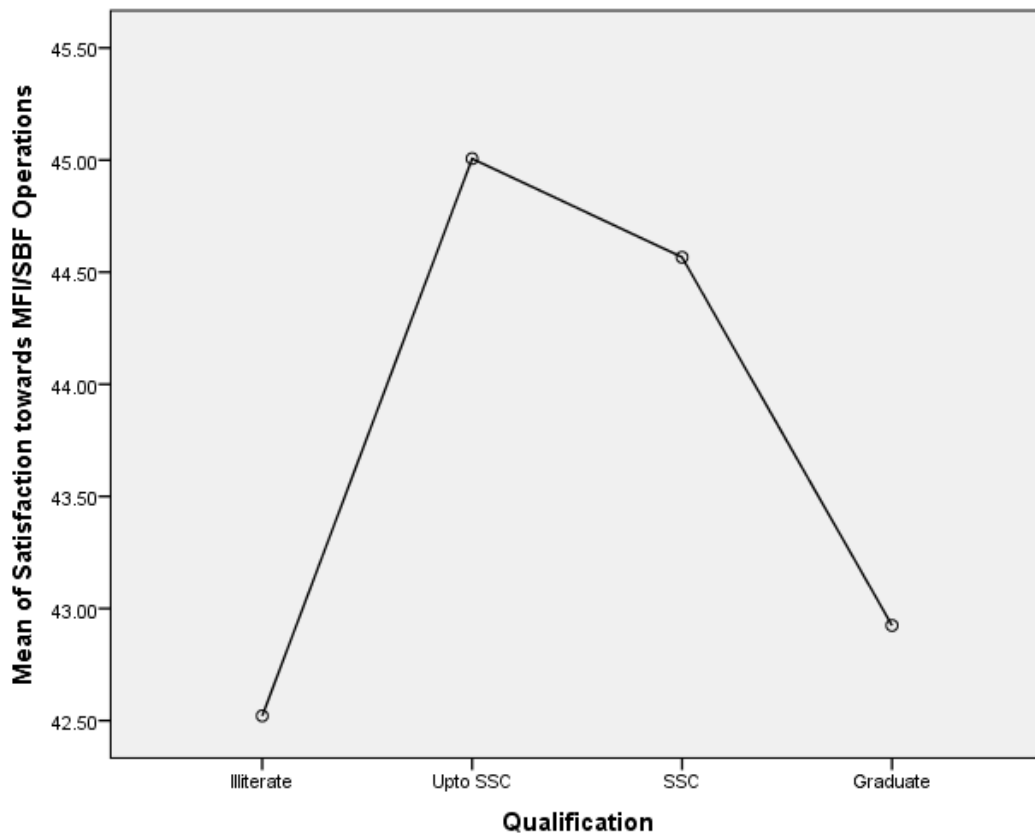
Since the p-value  $< 0.05$ , is the level of significance; there is strong evidence to reject the null hypothesis.

Conclusion:

There is a difference perceived by the respondents about Satisfaction with MFI/SBF Operations due to their educational qualifications.

The Means Plot:

The means plot showing the means of all Groups is given below.



**Figure 4.7 Mean plots of Satisfaction towards MFI/SBF Operations due to their educational qualification**

**Summary:**

The group of highest agreement is Upto SSC; then SSC; then Graduate and lastly Illiterate.

**Hence alternative Hypothesis 3 is being accepted.**

**Hypothesis 4:** To test the Hypothesis,

The null hypothesis, H<sub>0</sub>: There is no difference perceived by the respondents about Sustainability due to their age group.

Vs.

The alternative hypothesis, H<sub>a</sub>: There is a difference perceived by the respondents about Sustainability due to their age group.

The test used is one-way ANOVA.

Calculation Tables:

**Table 4.11 Descriptive of Sustainability due to their age group**

<b>Descriptive</b>				
Sustainability				
	N	Mean	Std. Deviation	Std. Error
18 to 25	40	31.1250	9.42225	1.48979
25 to 40	108	37.9630	6.75738	.65023
40 to 55	298	37.3054	5.58353	.32345
55 and above	30	37.9000	7.26043	1.32557
Total	476	36.9727	6.59643	.30235

**Table 4.12 Annova of Sustainability due to their age group**

<b>ANOVA</b>					
Sustainability					
	Sum of Squares	df	Mean Square	F	P-value
Between Groups	1532.507	3	510.836	12.600	.000
Within Groups	19136.138	472	40.543		
Total	20668.645	475			

Since the p-value  $< 0.05$ , is the level of significance; there is strong evidence to reject the null hypothesis.

Conclusion:

There is a difference perceived by the respondents about Sustainability due to their age group.

The Means Plot:

The means plot showing the means of all Groups is given below.

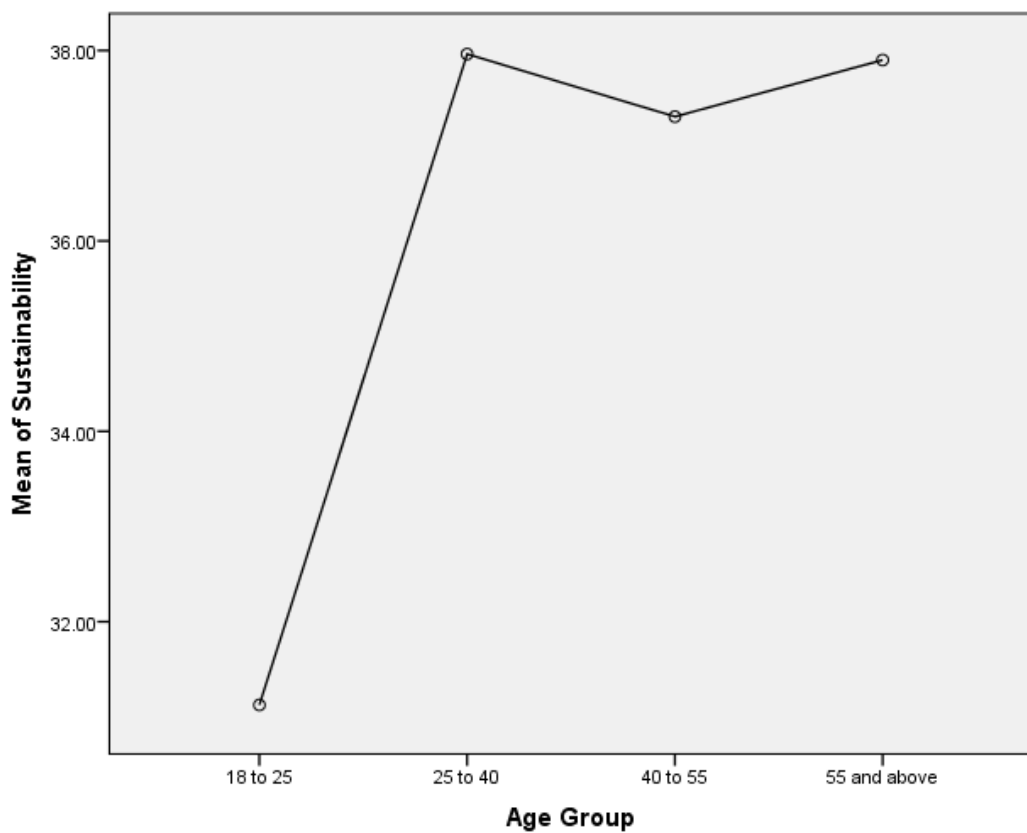


Figure 4.8 Sustainability due to their age group.

**Summary:**

The group of highest agreement is 25 to 40; then 55 and above; then 40 to 55 and lastly 18 to 25.

**Hence alternative Hypothesis 4 is being accepted.**

## Objectives of the study:

### Objective1: To study the Financial Objectives.

To achieve this objective following question from MFB's Questionnaire is analyzed.

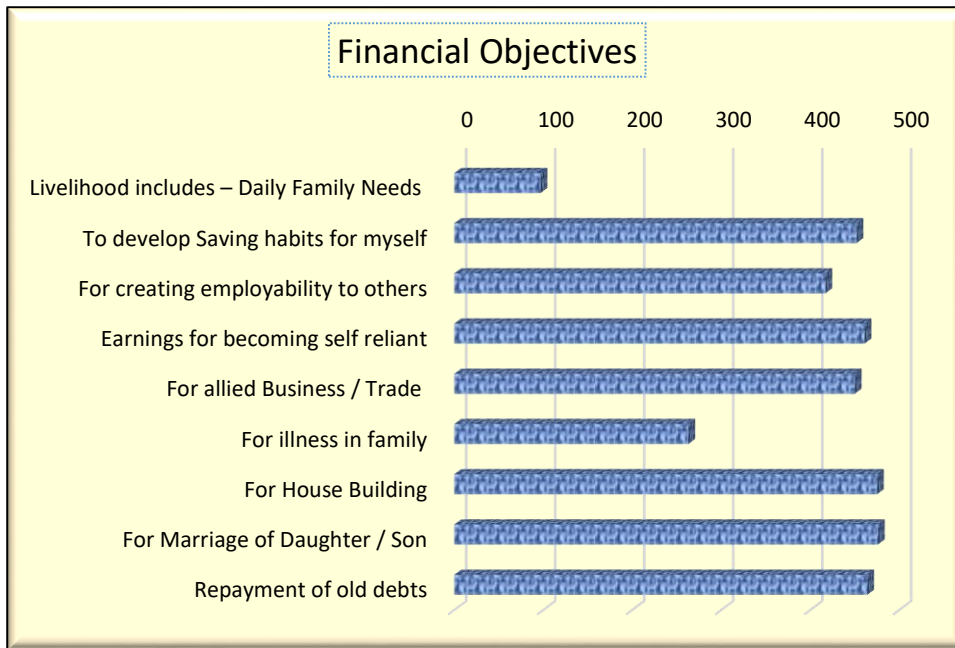
#### Q2] How Micro Finance Banks cater for your different financial needs?

The table and graph showing percentages of respondents who are in favour of the parameters are as given below.

**Table 4.13 Percentage of different Financial Objectives**

Financial Objectives	Agreement: Frequency (Agree + Strongly Agree)	%	Rank
Livelihood includes – Daily Family Needs	97	20.38	9
To develop Saving habits for myself	452	94.96	5
For creating employability for others	417	87.61	7
Earnings for becoming self- reliant	461	96.85	4
For allied Business / Trade	450	94.54	6
For illness in the family	263	55.25	8
For House Building	475	99.79	2
For Marriage of Daughter / Son	476	100.00	1
Repayment of old debts	464	97.48	3





**Figure 4.9 Percentage of different Financial Objectives**

**Summary:**

The respondents with Different financial needs gave the highest agreement to the option ‘For Marriage of Daughter / Son’; then to the option ‘For House Building’; then to the option ‘Repayment of old debts’; then to the option ‘Earnings for becoming self-reliant’; then to the option ‘To develop Saving habits for myself’; then to the option ‘For allied Business / Trade’; then to the option ‘For creating employability to others’; then to the option ‘For illness in the family’; lastly to the option ‘Livelihood includes – Daily Family Needs’.

## Objective 2: To study Sustainability.

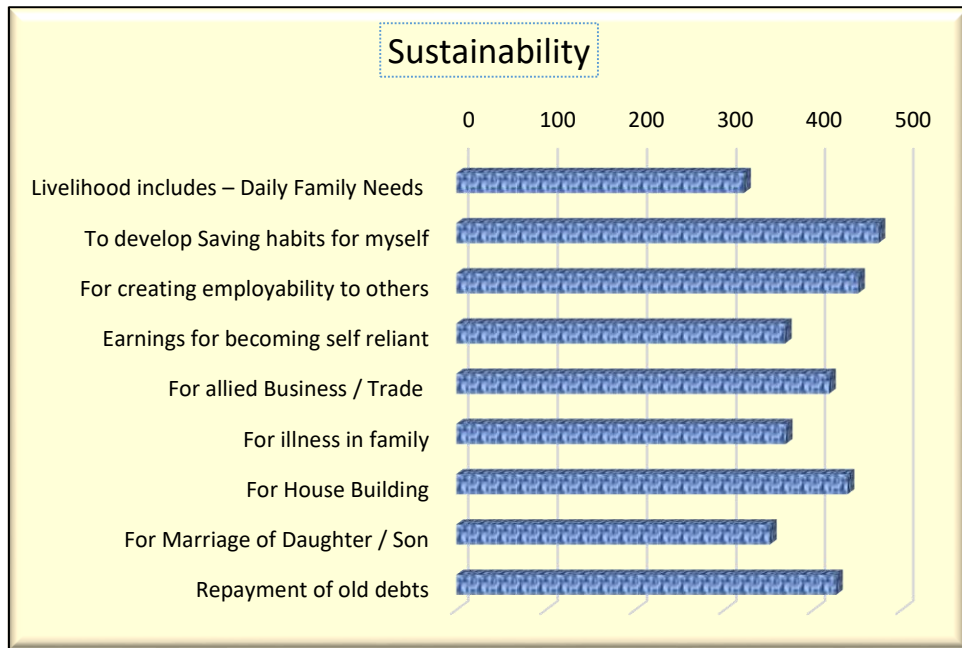
To achieve this objective following question from MFB's Questionnaire is analyzed.

### Q3] whether you have Received a Loan for these Needs?

The table and graph showing percentages of respondents who are in favour of the parameters are as given below.

**Table 4.14 percentages of respondents about the needs for which they got the loan**

Sustainability	Agreement: Frequency (Agree + Strongly Agree)	%	Rank
Livelihood includes – Daily Family Needs	322	67.65	9
To develop Saving habits for myself	474	99.58	1
For creating employability for others	451	94.75	2
Earnings for becoming self-reliant	368	77.31	7
For allied Business / Trade	418	87.82	5
For illness in the family	369	77.52	6
For House Building	439	92.23	3
For Marriage of Daughter / Son	351	73.74	8
Repayment of old debts	426	89.50	4



**Figure 4.10 percentages of respondents about the needs for which they got the loan**

**Summary:**

The respondents with Sustainability gave the highest agreement to the option ‘To develop Saving habits for myself’; then to the option ‘For creating employability to others’; then to the option ‘For House Building’; then to the option ‘Repayment of old debts’; then to the option ‘For allied Business / Trade’; then to the option ‘For illness in the family’; then to the option ‘Earnings for becoming self-reliant’; then to the option ‘For Marriage of Daughter / Son’; lastly to the option ‘Livelihood includes – Daily Family Needs’.

### **Objective 3: To study the Ease of Doing Business with MFI/SBF.**

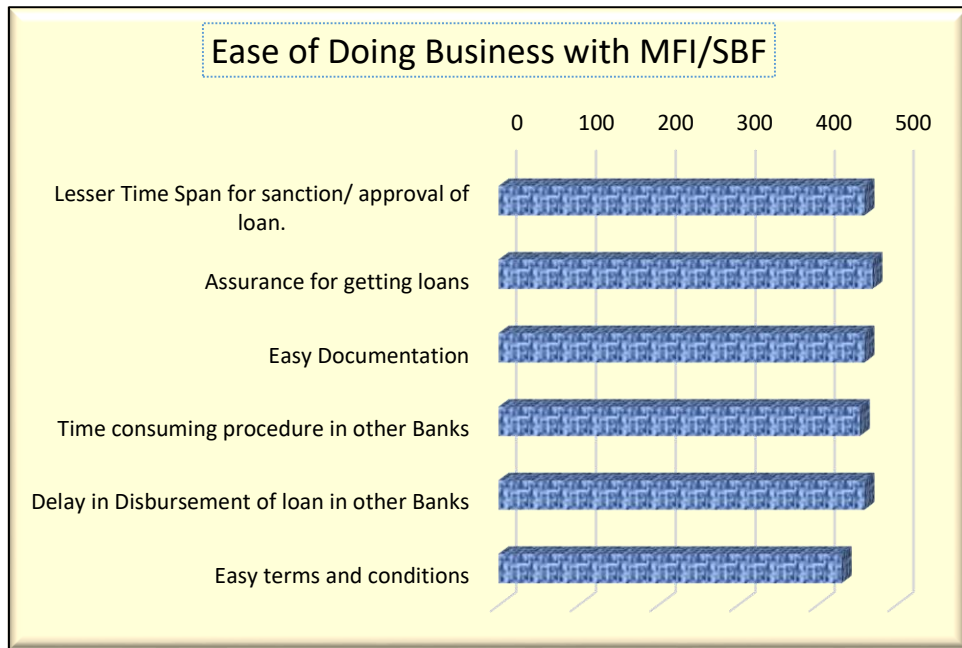
To achieve this objective following question from MFB's Questionnaire is analyzed.

#### **Q6] Service Fairness of Micro Finance Banks**

The table and graph showing percentages of respondents who are in favour of the parameters are as given below.

**Table 4.15 Service Fairness of Micro Finance Banks**

Ease of Doing Business with MFI	Agreement: Frequency (Agree + Strongly Agree)	%	Rank
Lesser period for sanction/ approval of the loan.	460	96.64	2
Assurance for getting loans	470	98.74	1
Easy Documentation	460	96.64	2
Time-consuming procedure in other Banks	454	95.38	3
Delay in Disbursement of the loan in other Banks	460	96.64	2
Easy terms and conditions	431	90.55	4



**Figure 4.11 Service Fairness of Micro Finance Banks**

**Summary:**

The respondents with Ease of Doing Business with MFI/SBF gave, the highest agreement to the option ‘Assurance for getting loans’; then to the option ‘Lesser period for sanction/ approval of loan’ and ‘Easy Documentation’ and ‘Delay in Disbursement of the loan in other Banks’; then to the option ‘Time-consuming procedure in other Banks’; lastly to ‘Easy terms and conditions.

#### **Objective 4: To study the Satisfaction of MFI/SBF Operations.**

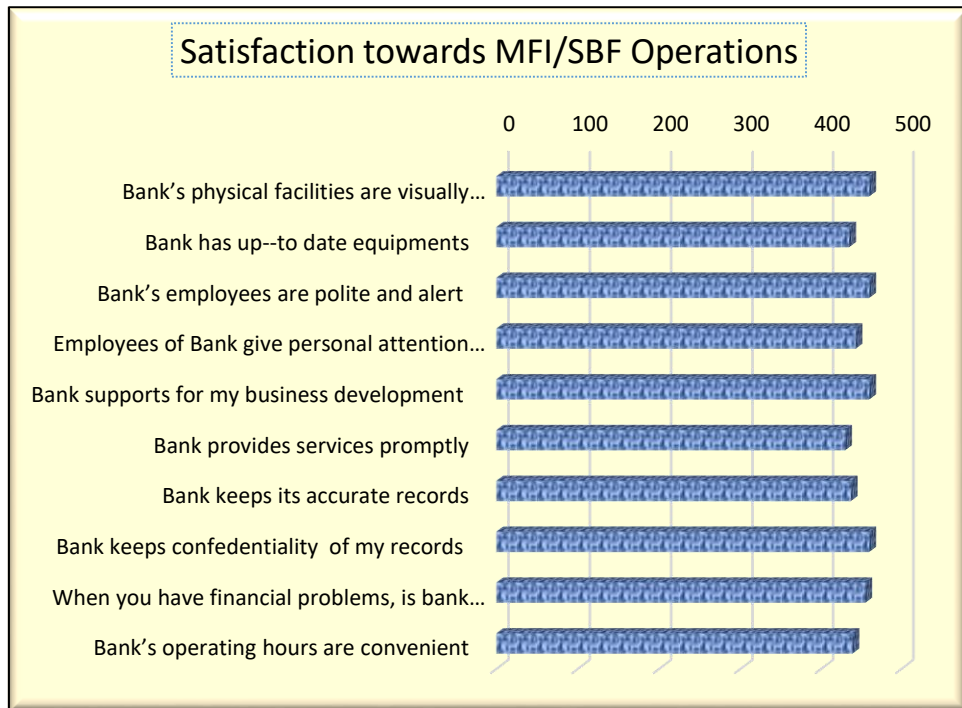
To achieve this objective following question from MFB's Questionnaire is analyzed.

#### **Q7] Your opinion about the overall ambience of the Micro Finance Banks**

The table and graph showing percentages of respondents who are in favour of the parameters are as given below.

**Table 4.16 Satisfaction towards MFI/SBF Operations**

Satisfaction toward MFI/SBF Operations	Agreement: Frequency (Agree + Strongly Agree)	%	Rank
Bank's physical facilities are visually appealing.	460	96.64	1
Bank has up-to date types of equipment	435	91.39	6
Bank employees are polite and alert	460	96.64	1
Employees of banks give personal attention to customers.	443	93.07	3
Bank supports my business development	460	96.64	1
Bank provides services promptly	430	90.34	7
Bank keeps its accurate records	437	91.81	5
Bank keeps the confidentiality of my records	460	96.64	1
When you have financial problems, is the bank considerate?	455	95.59	2
Bank's operating hours are convenient	439	92.23	4



**Figure 4.12 Satisfaction toward MFI/SBF Operations**

**Summary:**

The respondents with satisfaction towards MFI/SBF Operations gave the highest agreement to the option 'Bank's physical facilities are visually appealing' and 'Bank's employees are polite and alert' and 'Bank supports for my business development' and 'Bank keeps confidentiality of my records'; then to the option 'When you have financial problems, is bank considerate?'; then to the option 'Employees of Bank give personal attention to customers'; then to the option 'Bank's operating hours are convenient than to the option 'Bank keeps its accurate records'; then to the option 'Bank has up-to date types of equipment; lastly to the option 'Bank provides services promptly'.

## Objective 5: To study the Service Fairness.

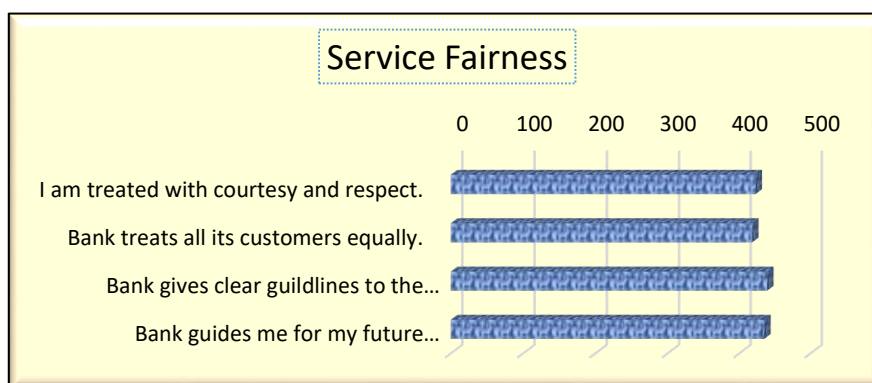
To achieve this objective following question from MFB's Questionnaire is analyzed.

### Q8] Service Fairness of Micro Finance Banks

The table and graph showing percentages of respondents who are in favour of the parameters are as given below.

**Table 4.17 Service Fairness of Micro Finance Banks**

Service Fairness	Agreement: Frequency (Agree + Strongly Agree)	%	Rank
I am treated with courtesy and respect.	423	88.87	3
Bank treats all its customers equally.	418	87.82	4
Bank gives clear guidelines to the customers	439	92.23	1
Bank guides me in my future developments	435	91.39	2



**Figure 4.13 Service Fairness of Micro Finance Banks**

### Summary:

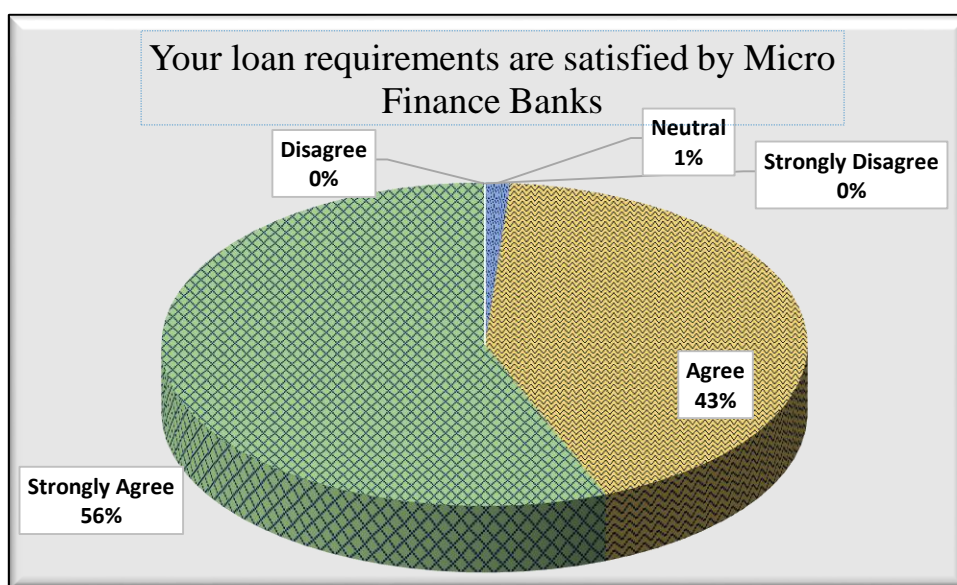
The respondents with Service Fairness gave the highest agreement to the option 'Bank gives clear guidelines to the customers'; then to the option 'Bank guides me for my future developments'; then to the option 'I am treated with courtesy and respect lastly to the option 'Bank treats all its customers equally'.



**Table 4.18 whether your loan requirements are satisfied by Micro Finance Banks?**

Whether your loan requirements satisfied by Micro Finance Banks?	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	0	0	6	203	267	476
%	0.0	0.0	1.3	42.6	56.1	100.0

Source: Primary Data



**Figure 4.14 loan requirements are satisfied by Micro Finance Banks**

### Interpretation

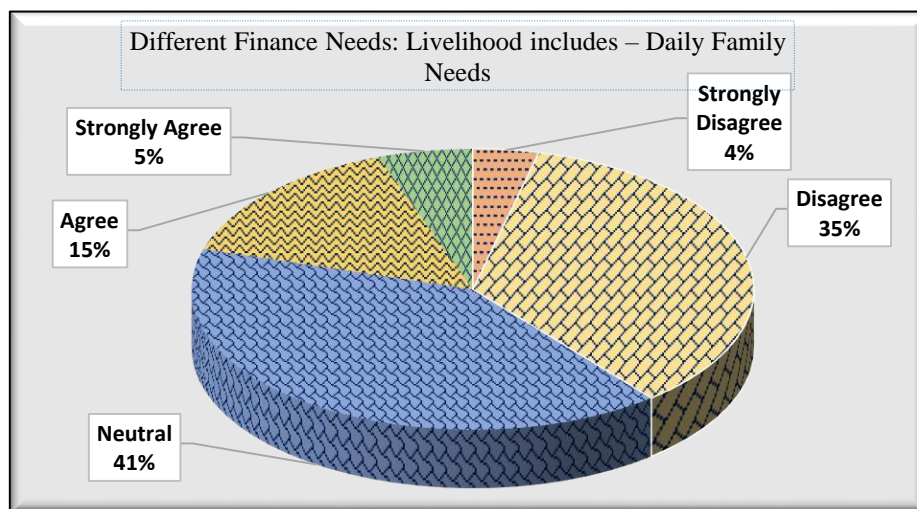
The above Table 4.18 presents the classification of respondents according to the duration of customers. 0% of respondents replied 'Strongly Disagree'; 0% replied 'Disagree'; 1.3% replied 'Neutral'; 42.6% replied 'Agree' and 56.1% replied 'Strongly Agree'.

### Inference

According to above Table 4.18, it is found that out of 476 respondents around 470 respondents are satisfied with the loan requirements from the banks. Followed by 6 respondents who are not satisfied with the loan requirements from the banks. Where we can say that majority of the respondents are getting loans from the Micro finance banks.

**Table 4.19: - Different Finance Needs: Livelihood includes –Daily Family Needs**

What are your different financial needs? Livelihood includes – Daily Family Needs	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	18	168	193	71	26	476
%	3.8	35.3	40.5	14.9	5.5	100.0



**Figure 4.15 Different Finance Needs: Livelihood includes –Daily Family Needs**

### **Interpretation**

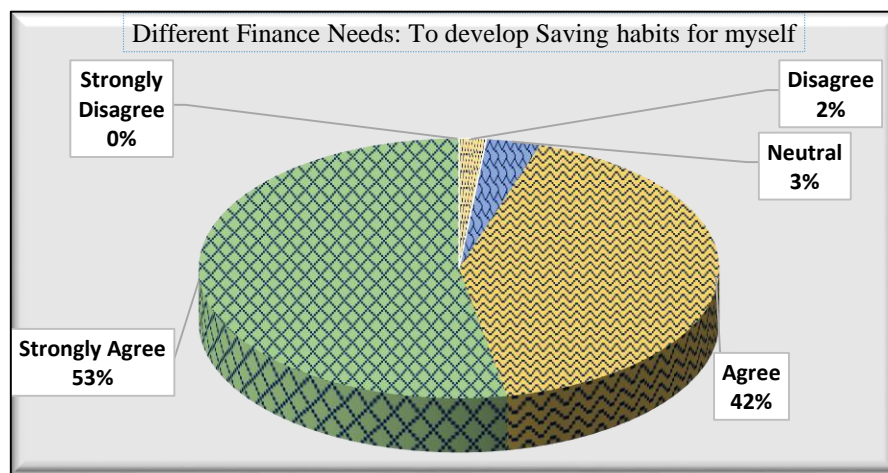
The above Table 4.19 presents the classification of respondents' Different Finance Needs: Livelihood includes –Daily Family Needs. 3.8% of respondents replied 'Strongly Disagree'; 35.3% replied 'Disagree'; 40.5% replied 'Neutral'; 14.9% replied 'Agree' and 5.5% replied 'Strongly Agree'.

### **Inference**

According to the above Table 4.19, it is found that out of 476 respondents around 361 respondents are not satisfied with the loan requirements for livelihood which includes daily family needs from the banks. The majority of the respondent's requirement for a loan for daily family need is not satisfied by the Micro Finance Banks

**Table 4.20: - Different Finance Needs: Livelihood includes –developing saving habits for myself.**

What are your different financial needs? To develop Saving habits for myself	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	0	8	16	200	252	476
%	0.0	1.7	3.4	42.0	52.9	100.0



**Figure 4.16 Different Finance Needs: Livelihood includes – developing saving habits for myself.**

### **Interpretation**

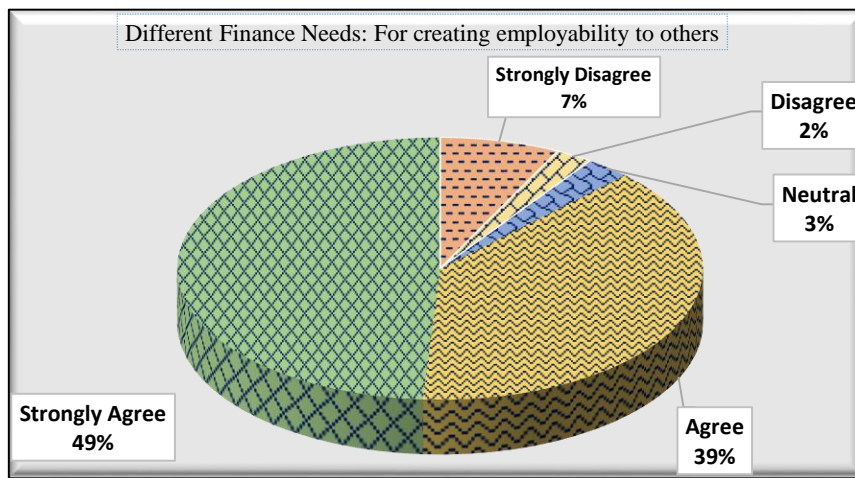
The above Table 4.20 presents the classification of respondents about Different Financial Needs: developing saving habits for myself. 0% of respondents replied ‘Strongly Disagree’; 1.7% replied ‘Disagree’; 3.4% replied ‘Neutral’; 42.0% replied ‘Agree’ and 52.9% replied ‘Strongly Agree’.

### **Inference**

According to the above Table 4.20, it is found that out of 476 respondents around 452 respondents are satisfied with the loan requirements for livelihood which includes daily developing saving habits for me from the banks. The majority of the respondent’s requirements for a loan for developing saving habits for themselves are satisfied by the Micro Finance Banks.

**Table 4.21: - Different Finance Needs: Livelihood includes –For creating employability for others**

What are your different financial needs? For creating employability for others	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	35	11	13	184	233	476
%	7.4	2.3	2.7	38.7	48.9	100.0



**Figure 4.17: Different Finance Needs: Livelihood includes –For creating employability for others**

### Interpretation

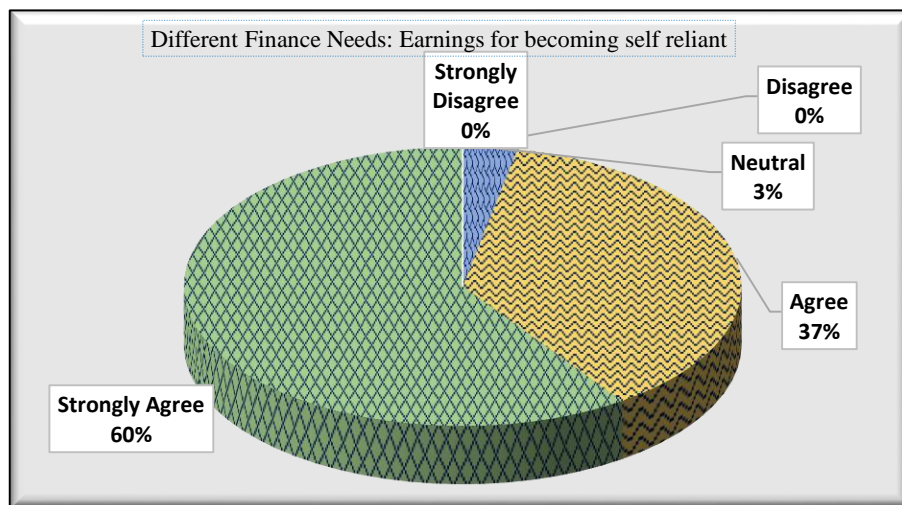
The above Table 4.21 presents the classification of respondents' Different Financial Needs: For creating employability for others. 7.4% of respondents replied 'Strongly Disagree'; 2.3% replied 'Disagree'; 2.7% replied 'Neutral'; 38.7% replied 'Agree' and 48.9% replied 'Strongly Agree'.

### Inference

According to the above Table 4.21, it is found that out of 476 respondents around 417 respondents are satisfied with the loan requirements for livelihood which includes creating employability for others from the banks. The majority of the respondents' requirement for a loan for creating employability for others, is satisfied by the Micro Finance Banks

**Table 4.22: - Different Finance Needs: Livelihood includes –Earnings for becoming self-reliant**

What are your different financial needs? Earnings for becoming self-reliant	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	0	0	15	177	284	476
%	0.0	0.0	3.2	37.2	59.7	100.0



**Figure 4.18: - Different Finance Needs: Livelihood includes –Earnings for becoming self-reliant**

### **Interpretation**

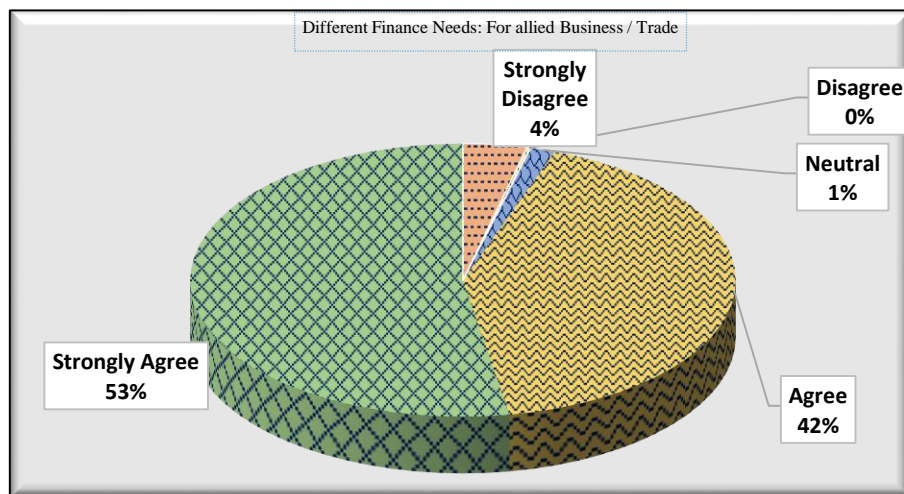
The above Table 4.22 presents the classification of respondents' Different Financial Needs: For earnings for becoming self-reliant. 0% of respondents replied 'Strongly Disagree'; 0% replied 'Disagree'; 3.2% replied 'Neutral'; 37.2% replied 'Agree' and 59.7% replied 'Strongly Agree'.

### **Inference**

According to the above Table 4.22, it is found that out of 476 respondents around 461 respondents are satisfied with the loan requirements for livelihood which includes earnings for becoming self-reliant from the banks. The majority of the respondent's requirement for a loan for earnings for becoming self-reliant is satisfied by the Micro Finance Banks.

**Table 4.23: - Different Finance Needs: Livelihood includes –For allied Business / Trade**

What are your different financial needs? For allied Business / Trade	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	18	1	7	199	251	476
%	3.8	0.2	1.5	41.8	52.7	100.0



**Figure 4.19: - Different Finance Needs: Livelihood includes –For allied Business / Trade**

### **Interpretation**

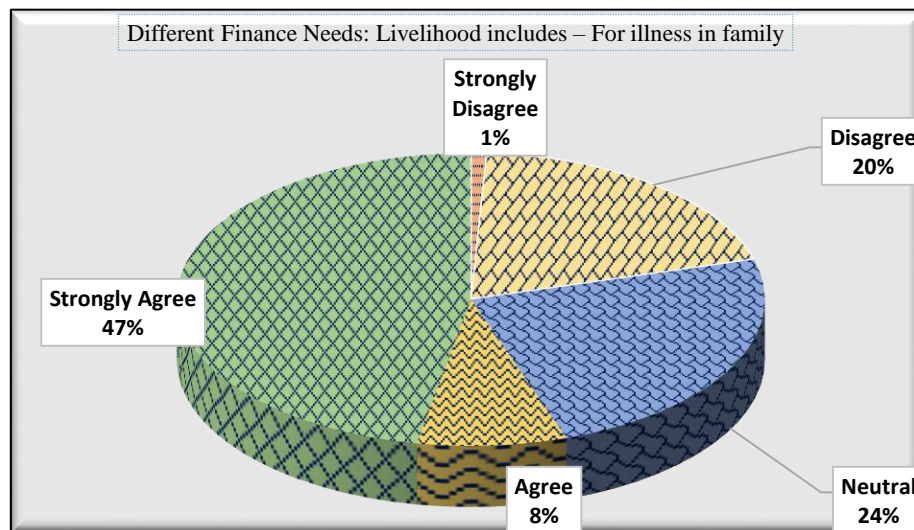
The above Table 4.23 presents the classification of respondents' Different Financial Needs: For allied Business / Trade. 3.8% of respondents replied 'Strongly Disagree'; 0.2% replied 'Disagree'; 1.5% replied 'Neutral'; 41.8% replied 'Agree' and 52.7% replied 'Strongly Agree'.

### **Inference**

According to the above Table 4.23, it is found that out of 476 respondents around 450 respondents are satisfied with the loan requirements for livelihood which includes allied Business / Trade from the banks. The majority of the respondents' requirement for a loan for earnings for becoming self-reliant is satisfied by the Micro Finance Banks.

**Table 4.24: - Different Finance Needs: Livelihood includes –For illness in the family**

What are your different financial needs? Livelihood includes – For illness in the family	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	4	94	115	39	224	476
%	0.8	19.7	24.2	8.2	47.1	100.0



**Figure 4.20: - Different Finance Needs: Livelihood includes –For illness in the family**

### **Interpretation**

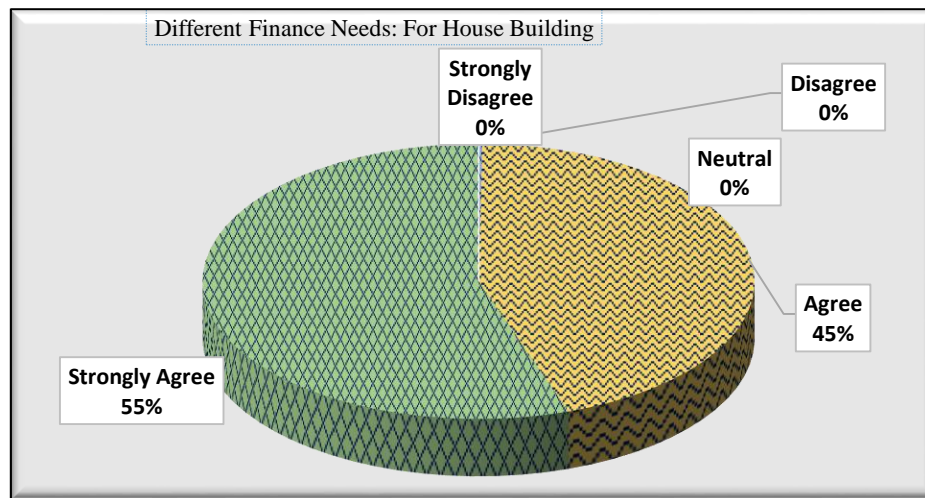
The above Table 4.24 presents the classification of respondents' Different Financial Needs For illnesses in the family. 0.8% of respondents replied 'Strongly Disagree'; 19.7% replied 'Disagree'; 24.2% replied 'Neutral'; 8.2% replied 'Agree' and 47.1% replied 'Strongly Agree'.

### **Inference**

According to the above Table 4.24, it is found that out of 476 respondents around 263 respondents are satisfied with the loan requirements for livelihood which includes illness in the family from the banks. The majority of the respondents' requirement for a loan for earnings for becoming self-reliant is satisfied by the Micro Finance Banks.

**Table 4.25: - Different Finance Needs: Livelihood includes –For House Building**

What are your different financial needs? For House Building	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	0	0	1	212	263	476
%	0.0	0.0	0.2	44.5	55.3	100.0



**Figure 4.21: - Different Finance Needs: Livelihood includes –For House Building**

### **Interpretation**

The above Table 4.25 presents the classification of respondents' Different Financial Needs for House Building. 0% of respondents replied 'Strongly Disagree'; 0% replied 'Disagree'; 0.2% replied 'Neutral'; 44.5% replied 'Agree' and 55.3% replied 'Strongly Agree'.

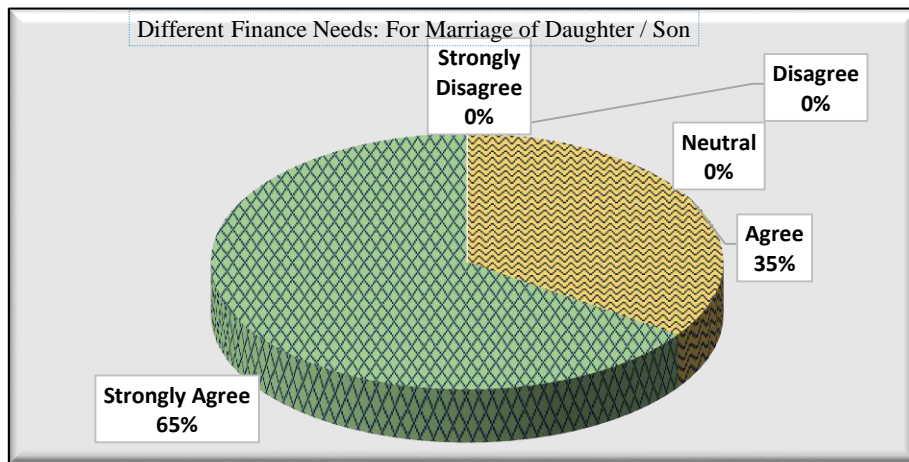
### **Inference**

According to the above Table 4.25, it is found that out of 476 respondents around 263 respondents are satisfied with the loan requirements for livelihood which includes House Building from the banks. The majority of the respondents' requirement of loan for earnings for House Building is satisfied by the Micro Finance Banks



**Table 4.26: - Different Finance Needs: Livelihood includes –For Marriage of Daughter / Son**

What are your different financial needs? For Marriage of Daughter / Son	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	0	0	0	165	311	476
%	0.0	0.0	0.0	34.7	65.3	100.0



**Figure 4.22: - Different Finance Needs: Livelihood includes –For Marriage of Daughter / Son**

### Interpretation

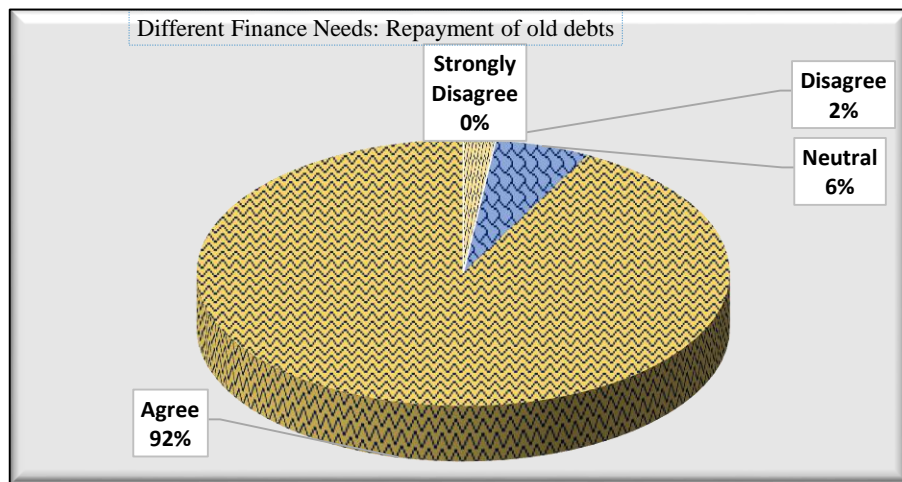
The above Table 4.26 presents the classification of respondents' Different Financial Needs marriage of Daughter / Son. 0% of respondents replied 'Strongly Disagree'; 0% replied 'Disagree'; 0% replied 'Neutral'; 34.7% replied 'Agree' and 65.3% replied 'Strongly Agree'.

### Inference

According to the above Table 4.26, it is found that out of 476 respondents around 476 respondents are satisfied with the loan requirements for livelihood which includes for Marriage of a Daughter / Son from the banks. The majority of the respondents' requirement of loan for earnings For Marriage of Daughter / Son is satisfied by the Micro Finance Banks.

**Table 4.27: - Different Finance Needs: Livelihood includes –Repayment of old debts**

What are your different financial needs? Repayment of old debts	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	0	3	9	143	321	476
%	0.0	0.6	1.9	30.0	67.4	100.0



**Figure 4.23:- Different Finance Needs: Livelihood includes –Repayment of old debts**

### **Interpretation**

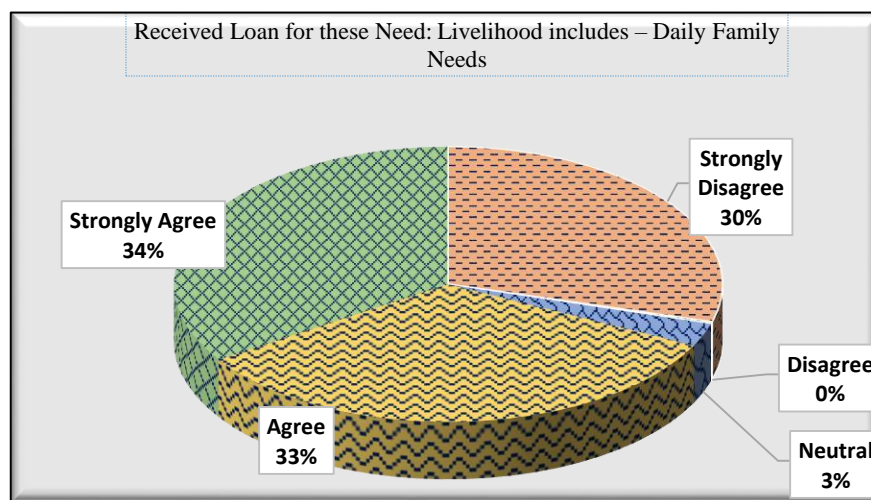
The above Table 4.27 presents the classification of respondents' Different Financial Needs for Repayment of old debts. 0% of respondents replied 'Strongly Disagree'; 0.6% replied 'Disagree'; 1.9% replied 'Neutral'; 30.0% replied 'Agree' and 67.4% replied 'Strongly Agree'.

### **Inference**

According to the above Table 4.27, it is found that out of 476 respondents around 464 respondents are satisfied with the loan requirements for livelihood which includes for Repayment of old debts. The majority of the respondents' requirement of loan for earnings for Repayment of old debts is satisfied by the Micro Finance Banks.

**Table 4.28: - Received Loan for these Need: Daily Family Needs**

Whether you have Received a Loan for these Needs? – Daily Family Needs	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	140	1	13	159	163	476
%	29.4	0.2	2.7	33.4	34.2	100.0



**Figure 4.24: - Received Loan for these Need: Daily Family Needs**

### Interpretation

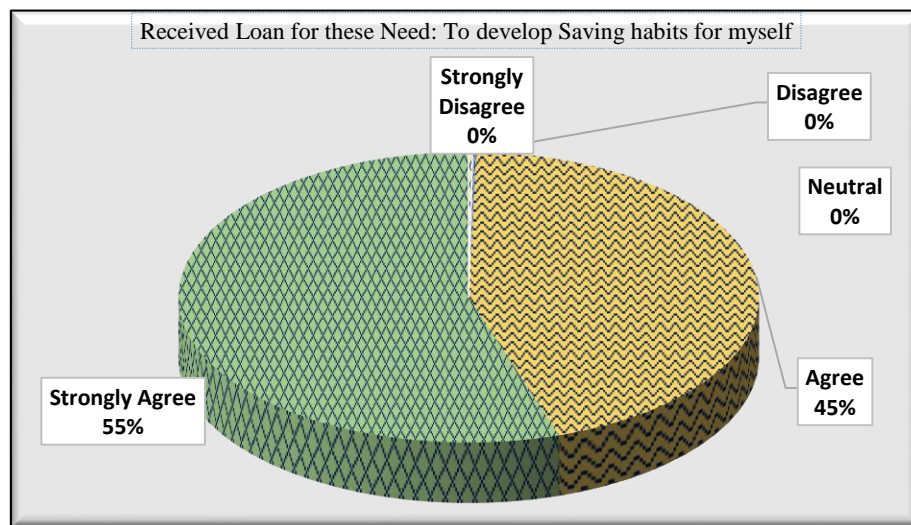
The above Table 4.28 presents the classification of respondents' Different Financial Needs for Daily Family Needs. 29.4% of respondents replied 'Strongly Disagree'; 0.2% replied 'Disagree'; 2.7% replied 'Neutral'; 33.4% replied 'Agree' and 34.2% replied 'Strongly Agree'.

### Inference

According to the above Table 4.28, it is found that out of 476 respondents around 322 respondents are satisfied with the loan requirements for livelihood which include Daily Family Needs. The majority of the respondents' requirement for a loan for earnings For Repayment of Daily Family Needs is satisfied by the Micro Finance Banks.

**Table 4.29: - Received Loan for these Needs: To develop saving habits for myself**

Whether you have Received a Loan for these Needs? To develop Saving habits for myself	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	0	1	1	212	262	476
%	0.0	0.2	0.2	44.5	55.0	100.0



**Figure 4.25: - Received Loan for these Needs: To develop saving habits for myself**

### Interpretation

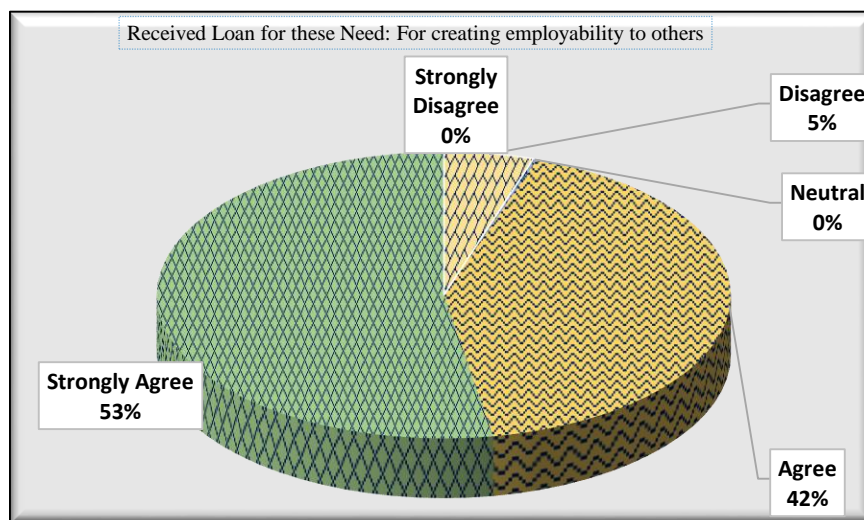
The above Table 4.29 presents the classification of respondents' Different Financial Needs to develop saving habits for the borrowers. 0% respondents replied 'Strongly Disagree'; 0.2% replied 'Disagree'; 0.2% replied 'Neutral'; 44.5% replied 'Agree' and 55.0% replied 'Strongly Agree'.

### Inference

According to the above Table 4.29, it is found that out of 476 respondents around 474 respondents are satisfied with the loan requirements for livelihood which includes developing saving habits for the borrowers. The majority of the respondents' requirements for a loan for developing saving habits for me are satisfied by the Micro Finance Banks.

**Table 4.30: - Received Loan for these Needs: For creating employability for others.**

Whether you have Received a Loan for these Needs? For creating employability for others	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	0	24	1	200	251	476
%	0.0	5.0	0.2	42.0	52.7	100.0



**Figure 4.26: - Received Loan for these Needs: For creating employability for others.**

### **Interpretation**

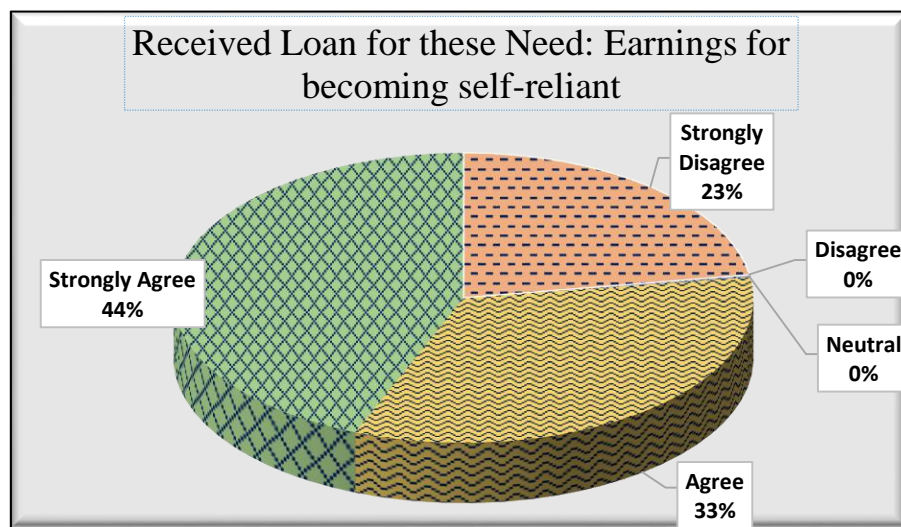
The above Table 4.30 presents the classification of respondents' Different Financial Needs for creating employability for others. 0% of respondents replied 'Strongly Disagree'; 5.0% replied 'Disagree'; 0.2% replied 'Neutral'; 42.0% replied 'Agree' and 52.7% replied 'Strongly Agree'.

### **Inference**

According to the above Table 4.30, it is found that out of 476 respondents around 451 respondents are satisfied with the loan requirements for livelihood which includes creating employability for others. The majority of the respondents' requirements for a loan for creating employability for others are satisfied by the Micro Finance Banks.

**Table 4.31: - Received Loan for these Needs: Earnings for becoming self-reliant**

Whether you have Received a Loan for these Needs? Earnings for becoming self-reliant	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	107	0	1	159	209	476
%	22.5	0.0	0.2	33.4	43.9	100.0



**Figure 4.27: - Received Loan for these Needs: Earnings for becoming self-reliant**

### **Interpretation**

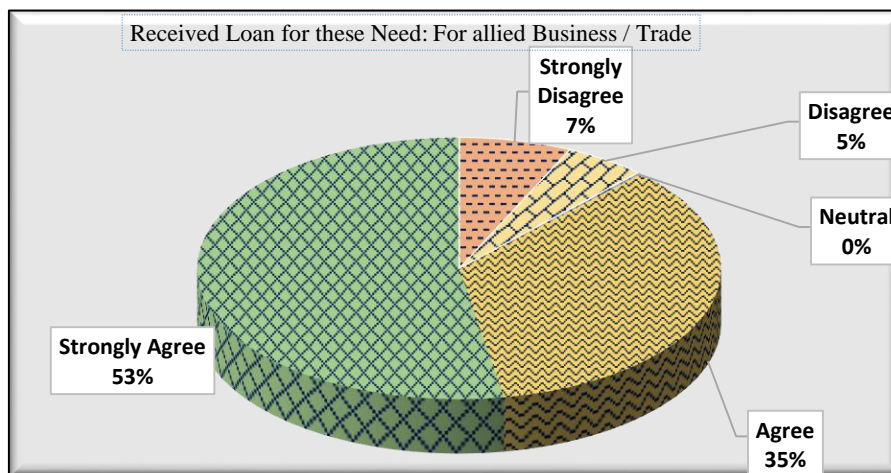
The above Table 4.31 presents the classification of respondents' Different Financial Needs for earnings for becoming self-reliant. 22.5% of respondents replied 'Strongly Disagree'; 0% replied 'Disagree'; 0.2% replied 'Neutral'; 33.4% replied 'Agree' and 43.9% replied 'Strongly Agree'.

### **Inference**

According to the above Table 4.31, it is found that out of 476 respondents around 368 respondents are satisfied with the loan requirements for livelihood which includes earnings for becoming self-reliant. The majority of the respondent's requirements of loan for earnings for becoming self-reliant are satisfied by the Micro Finance Banks.

**Table 4.32: - Received Loan for these Needs: for allied Business / Trade**

Whether you have Received a Loan for these Needs? For allied Business / Trade	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	33	24	1	167	251	476
%	6.9	5.0	0.2	35.1	52.7	100.0



**Figure 4.28: - Received Loan for these Needs: for allied Business / Trade**

**Interpretation**

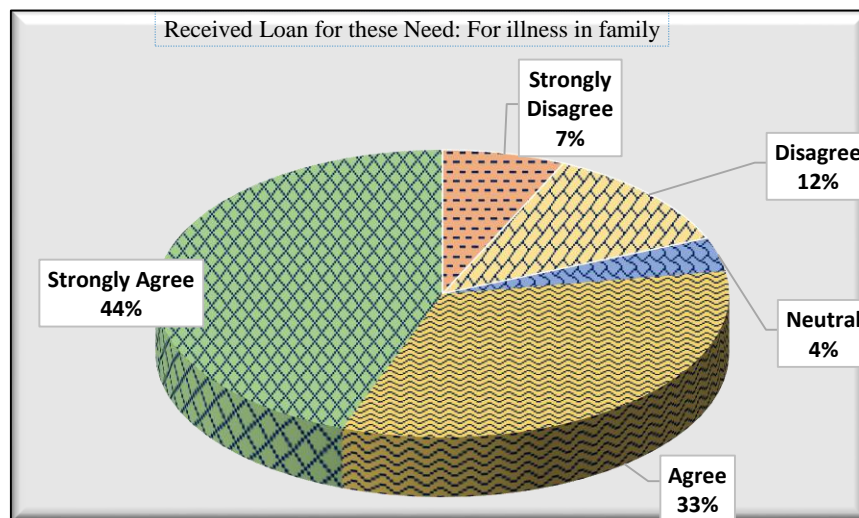
The above Table 4.32 presents the classification of respondents’ Different Financial Needs for allied Business/Trade. 6.9% of respondents replied ‘Strongly Disagree’; 5.0% replied ‘Disagree’; 0.2% replied ‘Neutral’; 35.1% replied ‘Agree’ and 52.7% replied ‘Strongly Agree’.

**Inference**

According to the above Table 4.32, it is found that out of 476 respondents around 418 respondents are satisfied with the loan requirements for livelihood which includes earnings for allied Business / Trade. The majority of the respondents’ requirements of loan for earnings for allied Business / Trade are satisfied by the Micro Finance Banks.

**Table 4.33: - Received Loan for these Needs: For illness in the family**

Whether you have Received a Loan for these Needs? For illness in the family	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	33	56	18	158	211	476
%	6.9	11.8	3.8	33.2	44.3	100.0



**Figure 4.29: - Received Loan for these Needs: For illness in the family**

### **Interpretation**

The above Table 4.33 presents the classification of respondents' Different Financial Needs for allied Business/Trade. 6.9% of respondents replied 'Strongly Disagree'; 11.8% replied 'Disagree'; 3.8% replied 'Neutral'; 33.2% replied 'Agree' and 44.3% replied 'Strongly Agree'.

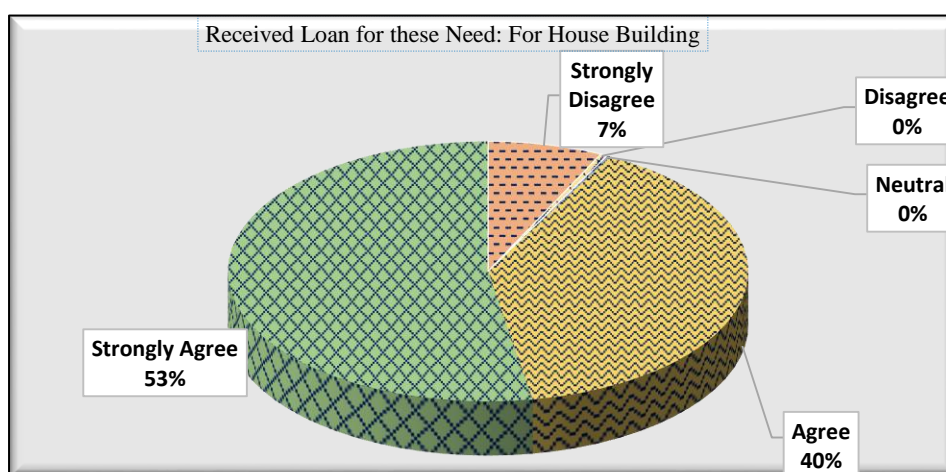
### **Inference**

According to the above Table 4.33, it is found that out of 476 respondents around 369 respondents are satisfied with the loan requirements for livelihood which includes earnings for allied Business / Trade. The majority of the respondents' requirements of loan for earnings for allied Business / Trade are satisfied by the Micro Finance Banks.



**Table 4.34: - Received Loan for these Needs: For House Building**

Whether you have Received a Loan for these Needs? For House Building	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	34	2	1	188	251	476
%	7.1	0.4	0.2	39.5	52.7	100.0



**Figure 4.30: - Received Loan for these Needs: For House Building**

### **Interpretation**

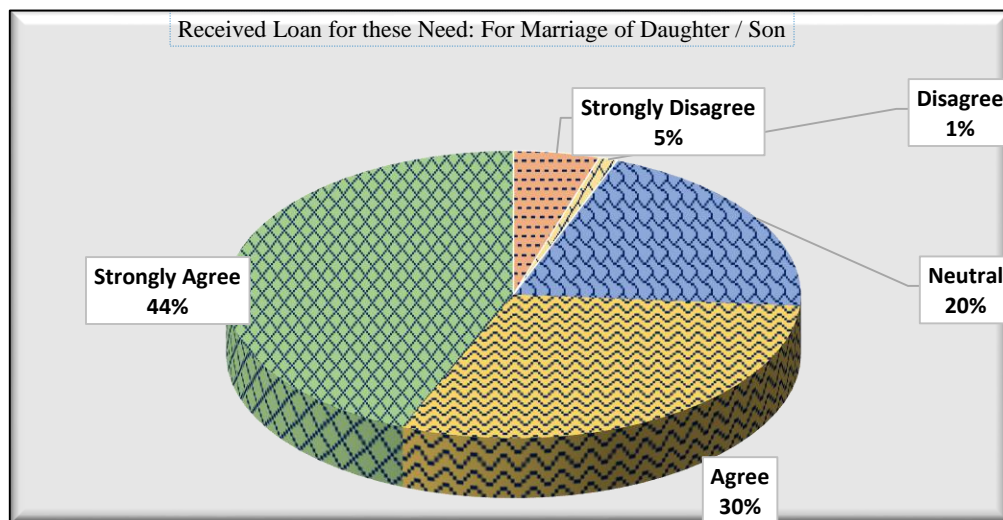
The above Table 4.34 presents the classification of respondents' Different Financial Needs for House Building. 7.1% of respondents replied 'Strongly Disagree'; 0.4% replied 'Disagree'; 0.2% replied 'Neutral'; 39.5% replied 'Agree' and 52.7% replied 'Strongly Agree'.

### **Inference**

According to above Table 4.34, it is found that out of 476 respondents around 439 respondents are satisfied with the loan requirements for livelihood which includes House Building. The majority of the respondents' requirement of loan for earnings for House Building is satisfied by the Micro Finance Banks.

**Table 4.35: - Received Loan for these Needs: For Marriage of Daughter / Son**

Whether you have Received a Loan for these Needs? For Marriage of Daughter / Son	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	23	5	97	143	208	476
%	4.8	1.1	20.4	30.0	43.7	100.0



**Figure 4.31: - Received Loan for these Needs: For Marriage of Daughter / Son**

### Interpretation

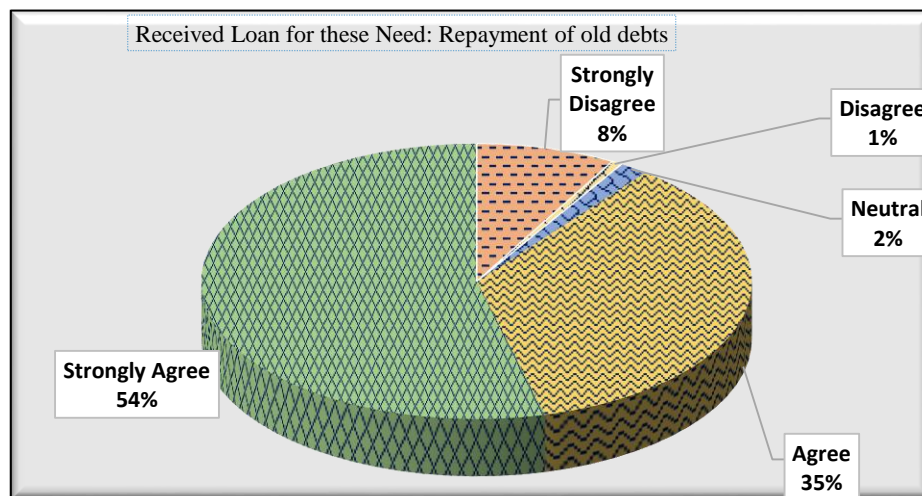
The above Table 4.35 presents the classification of respondents' Different Financial Needs for the marriage of a Daughter / Son. 4.8% of respondents replied 'Strongly Disagree'; 1.1% replied 'Disagree'; 20.4% replied 'Neutral'; 30.0% replied 'Agree' and 43.7% replied 'Strongly Agree'.

### Inference

According to above Table 4.35, it is found that out of 476 respondents around 351 respondents are satisfied with the loan requirements for livelihood which includes For Marriage of a Daughter / Son. The majority of the respondent's requirements of loan for earnings For Marriage of Daughter / Son are satisfied by the Micro Finance Banks

**Table 4.36: Received Loan for these Needs? Repayment of old debts**

Whether you have Received a Loan for these Needs? Repayment of old debts	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	39	3	8	169	257	476
%	8.2	0.6	1.7	35.5	54.0	100.0



**Figure 4.32: - Received Loan for these Needs: For Repayment of old debts**

### Interpretation

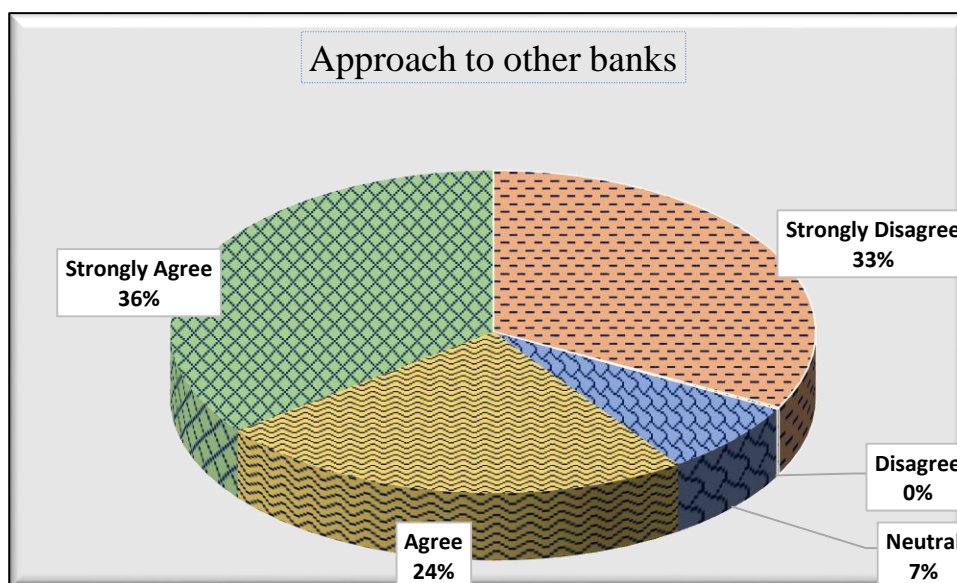
The above Table 4.36 presents the classification of respondents' Different Financial Needs for repayment of old debts. 8.2% of respondents replied 'Strongly Disagree'; 0.6% replied 'Disagree'; 1.7% replied 'Neutral'; 35.5% replied 'Agree' and 54.0% replied 'Strongly Agree'.

### Inference

According to above Table 4.36, it is found that out of 476 respondents around 426 respondents are satisfied with the loan requirements For repayment of old debts. The majority of the respondent's requirements of loan for earnings for repayment of old debts are satisfied by the Micro Finance Banks.

**Table 4.37: Whether you have approached other banks?**

Whether you have approached other banks?	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	156	1	35	115	169	476
%	32.8	0.2	7.4	24.2	35.5	100.0



**Figure 4.33: Whether you have approached other banks?**

### **Interpretation**

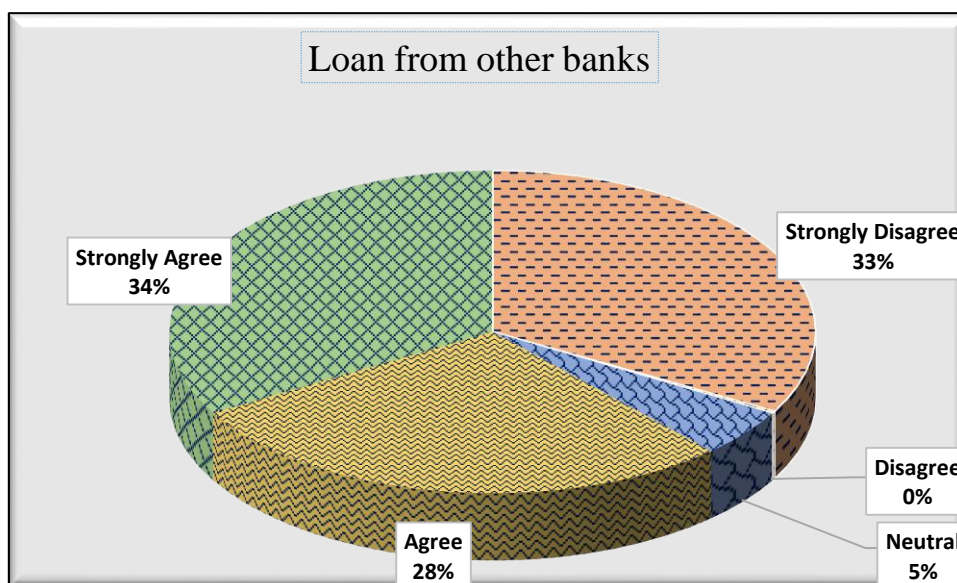
The above Table 4.37 presents the classification of respondents whether they have approached other banks? 32.8% of respondents replied ‘Strongly Disagree’; 0.2% replied ‘Disagree’; 7.4% replied ‘Neutral’; 24.2% replied ‘Agree’ and 35.5% replied ‘Strongly Agree’.

### **Inference**

According to above Table 4.37, it is found that out of 476 respondents around 284 respondents have approached other banks.

**Table 4.38: Whether you got a loan from other banks?**

Whether you got a loan from other banks?	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	158	1	23	135	159	476
%	33.2	0.2	4.8	28.4	33.4	100.0



**Figure 4.34: Whether you got a loan from other banks?**

### **Interpretation**

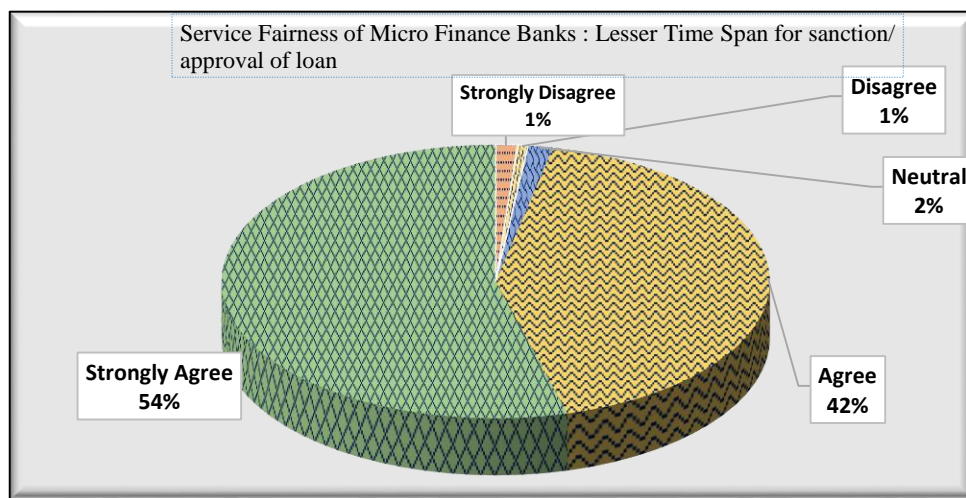
The above Table 4.38 presents the classification of respondents whether they got loans from other banks? 33.2% of respondents replied ‘Strongly Disagree’; 0.2% replied ‘Disagree’; 4.8% replied ‘Neutral’; 28.4% replied ‘Agree’ and 33.4% replied ‘Strongly Agree’.

### **Inference**

According to above Table 4.38, it is found that out of 476 respondents around 294 respondents have approached other banks and have received loans as well.

**Table 4.39: Service Fairness of Micro Finance Banks: Lesser period for sanction/ approval of the loan**

Service Fairness of Micro Finance Banks: Lesser period for sanction/ approval of the loan.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	6	3	7	202	258	476
%	1.3	0.6	1.5	42.4	54.2	100.0



**Figure 4.35: Service Fairness of Micro Finance Banks: Lesser period for sanction/ approval of the loan**

### Interpretation

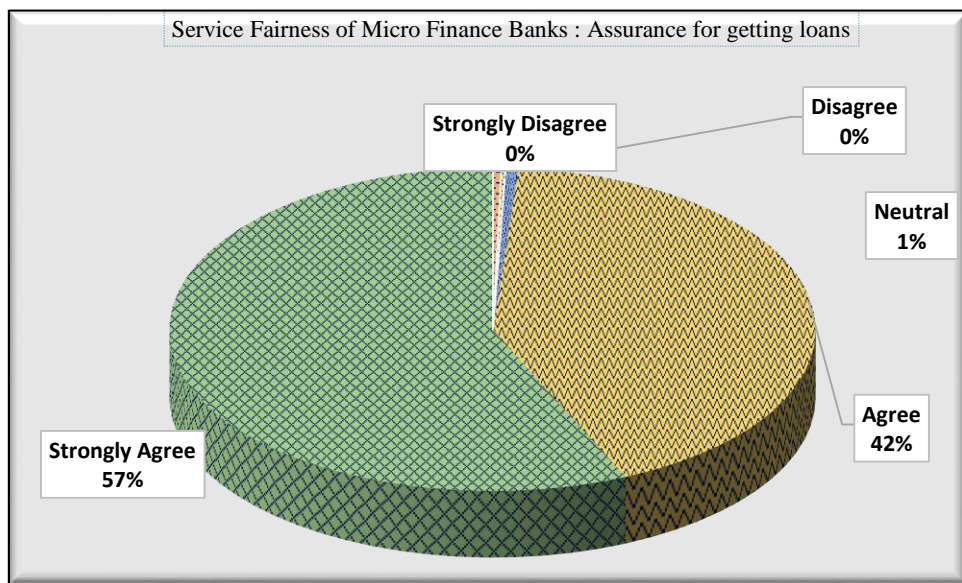
The above Table 4.39 presents the classification of respondents' Different Financial Needs for repayment of old debts. 1.3% of respondents replied 'Strongly Disagree'; 0.6% replied 'Disagree'; 1.5% replied 'Neutral'; 42.4% replied 'Agree' and 54.2% replied 'Strongly Agree'.

### Inference

According to above Table 4.39, it is found that out of 476 respondents around 426 respondents are satisfied with the loan requirements For repayment of old debts. The majority of the respondent's requirements of loan for earnings for repayment of old debts are satisfied by the Micro Finance Banks.

**Table 4.40: Service Fairness of Micro Finance Banks: Assurance for getting loans**

Service Fairness of Micro Finance Banks: Assurance for getting loans.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	2	1	3	200	270	476
%	0.4	0.2	0.6	42.0	56.7	100.0



**Figure 4.36: Service Fairness of Micro Finance Banks: Assurance for getting loans**

### Interpretation

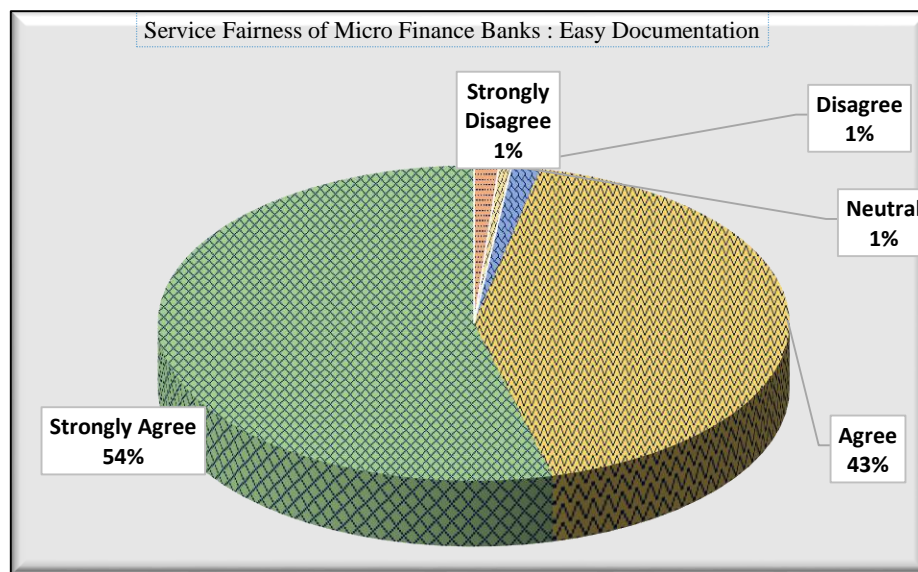
The above Table 4.40 presents the classification of respondents' Service Fairness of Micro Finance Banks: Assurance for getting loans. 0.4% of respondents replied 'Strongly Disagree'; 0.2% replied 'Disagree'; 0.6% replied 'Neutral'; 42.0% replied 'Agree' and 56.7% replied 'Strongly Agree'

### Inference

According to above Table 4.40, it is found that out of 476 respondents around 470 respondents are satisfied with the Service Fairness of Micro Finance Banks: Assurance for getting loans.

**Table 4.41: Service Fairness of Micro Finance Banks: Easy Documentation**

Service Fairness of Micro Finance Banks: Easy Documentation	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	6	3	7	203	257	476
%	1.3	0.6	1.5	42.6	54.0	100.0



**Figure 4.37: Service Fairness of Micro Finance Banks: Easy Documentation**

### Interpretation

The above Table 4.41 presents the classification of respondents' Service Fairness of Micro Finance Banks: Easy Documentation. 1.3% of respondents replied 'Strongly Disagree'; 0.6% replied 'Disagree'; 1.5% replied 'Neutral'; 42.6% replied 'Agree' and 54.0% replied 'Strongly Agree'.

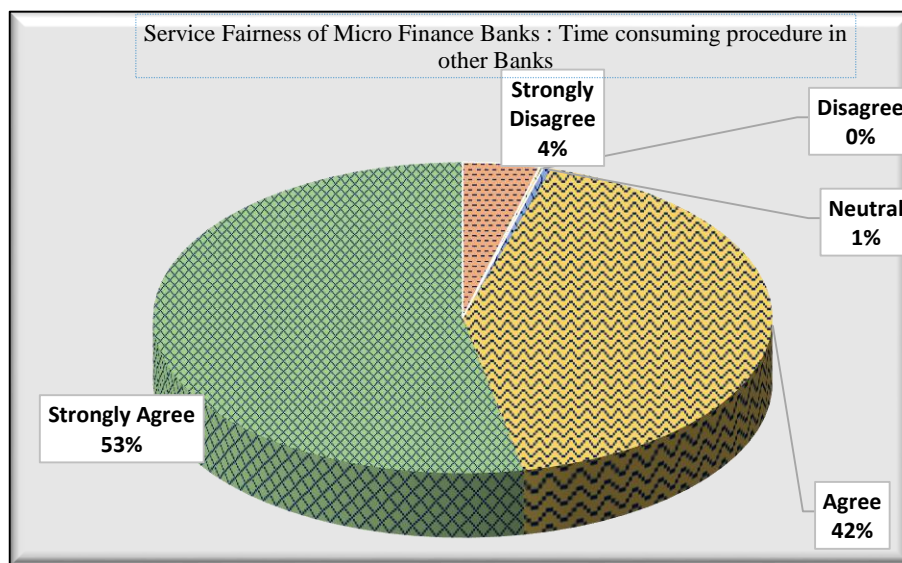
### Inference

According to the above Table 4.41, it is found that out of 476 respondents around 460 respondents are satisfied with the Service Fairness of Micro Finance Banks: Easy Documentation.



**Table 4.42: Service Fairness of Micro Finance Banks: Time-consuming procedure in other Banks**

Service Fairness of Micro Finance Banks: Time-consuming procedure in other Banks	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	19	1	2	201	253	476
%	4.0	0.2	0.4	42.2	53.2	100.0



**Figure 4.38: Service Fairness of Micro Finance Banks: Time-consuming procedure in other Banks**

**Interpretation**

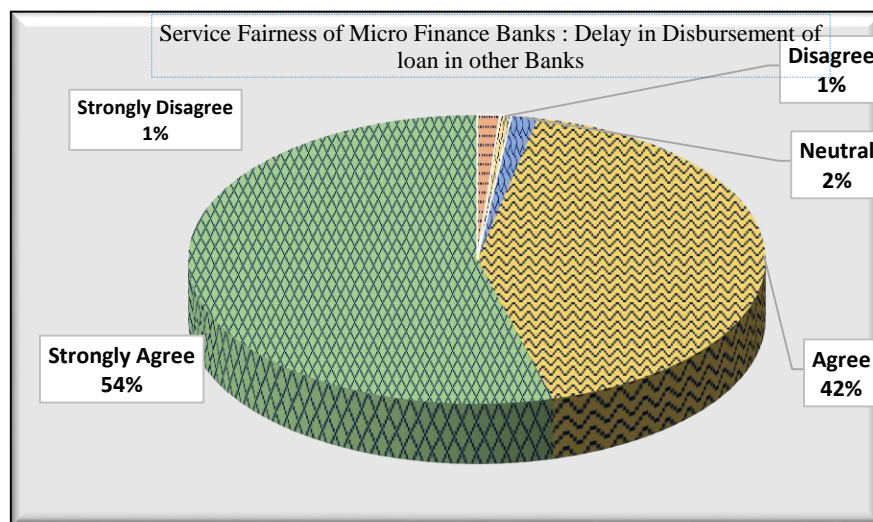
The above Table 4.42 presents the classification of respondents' Service Fairness of Micro Finance Banks: Time consuming procedure in other Banks. 4.0% of respondents replied 'Strongly Disagree'; 0.2% replied 'Disagree'; 0.4% replied 'Neutral'; 42.2% replied 'Agree' and 53.2% replied 'Strongly Agree'.

**Inference**

According to the above Table 4.42, it is found that out of 476 respondents around 454 respondents finds that Service Fairness of Micro Finance Banks: Time consuming procedure in other Banks.

**Table 4.43: Service Fairness of Micro Finance Banks: Delay in Disbursement of the loan in other Banks**

Service Fairness of Micro Finance Banks: Delay in Disbursement of the loan in other Banks	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	6	3	7	202	258	476
%	1.3	0.6	1.5	42.4	54.2	100.0



**Figure 4.39 Service Fairness of Micro Finance Banks: Delay in Disbursement of the loan in other Banks**

### Interpretation

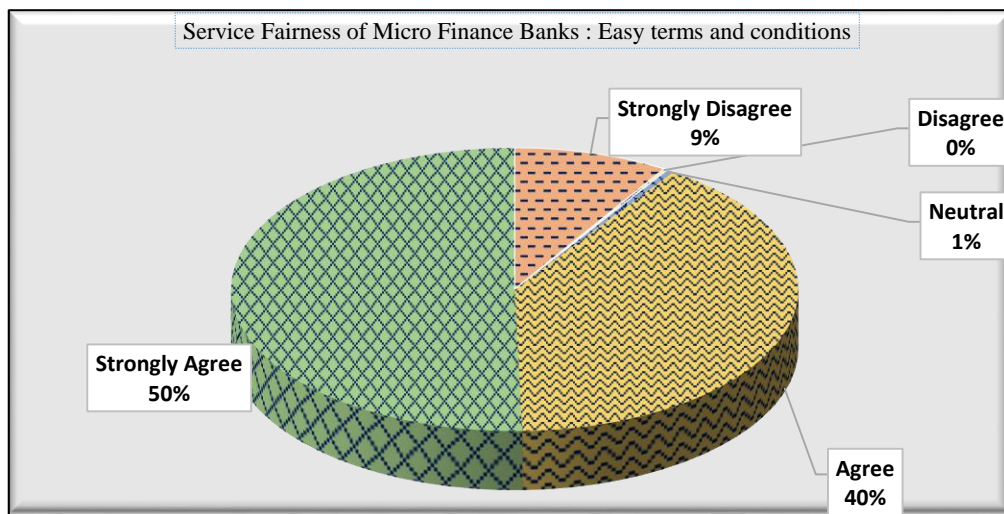
The above Table 4.43 presents the classification of respondents: Service Fairness of Micro Finance Banks: Delay in Disbursement of the loan in other Banks. 1.3% of respondents replied 'Strongly Disagree'; 0.6% replied 'Disagree'; 1.5% replied 'Neutral'; 42.4% responded agree' and 54.2% replied 'Strongly Agree'.

### Inference

According to the above Table 4.43, it is found that out of 476 respondents around 460 respondents finds that: Service Fairness of Micro Finance Banks: Delay in Disbursement of the loan in other Banks

**Table 4.44: Service Fairness of Micro Finance Banks: Easy terms and conditions**

Service Fairness of Micro Finance Banks: Easy terms and conditions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	42	1	2	191	240	476
%	8.8	0.2	0.4	40.1	50.4	100.0



**Figure 4.40: Service Fairness of Micro Finance Banks: Easy terms and conditions**

### Interpretation

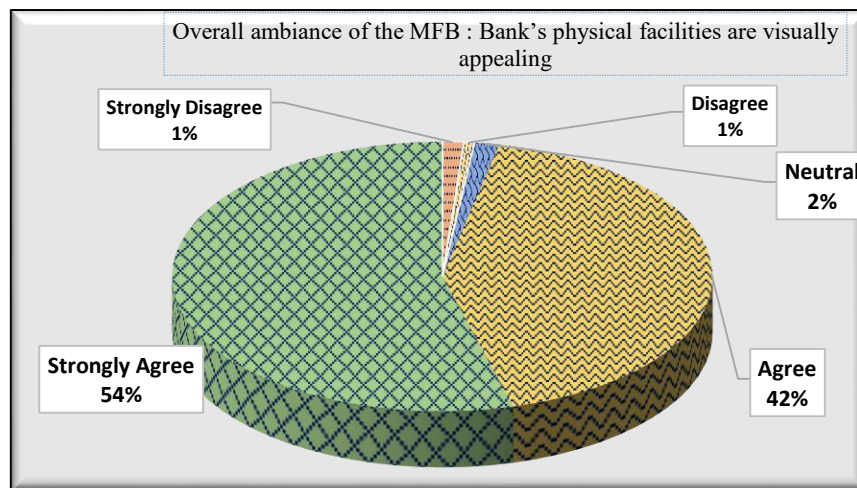
The above Table 4.44 presents the classification of respondents: Service Fairness of Micro Finance Banks: Easy terms and conditions. 8.8% of respondents replied 'Strongly Disagree'; 0.2% replied 'Disagree'; 0.4% replied 'Neutral'; 40.1% replied 'Agree' and 50.4% replied 'Strongly Agree'.

### Inference

According to the above Table 4.44, it is found that out of 476 respondents around 431 respondents find that: there is service fairness of Micro Finance Banks: Easy terms and conditions.

**Table 4.45: Overall ambience of the MFB: Bank’s physical facilities are visually appealing**

Your opinion about the overall ambience of the Micro Finance Banks: Bank’s physical facilities are visually appealing.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	6	3	7	202	258	476
%	1.3	0.6	1.5	42.4	54.2	100.0



**Figure 4.41: Overall ambience of the MFB: Bank’s physical facilities are visually appealing**

### Interpretation

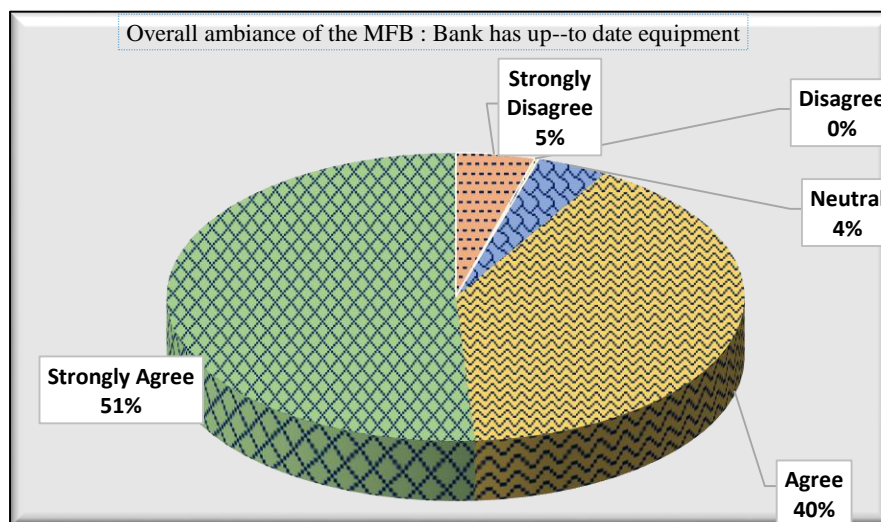
The above Table 4.45 presents the classification of respondents: Overall ambience of the MFB: Bank’s physical facilities are visually appealing. 1.3% of respondents replied ‘Strongly Disagree’; 0.6% replied ‘Disagree’; 1.5% replied ‘Neutral’; 42.4% replied ‘Agree’ and 54.2% replied ‘Strongly Agree’.

### Inference

According to above Table 4.45, it is found that out of 476 respondents around 460 respondents find that the overall ambience of the MFB: Bank’s physical facilities are visually appealing.

**Table 4.46: Overall ambience of the MFB: Bank has up--to date equipment**

Your opinion about the overall ambience of the Micro Finance Banks: Bank has up--to date equipment	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	21	1	19	192	243	476
%	4.4	0.2	4.0	40.3	51.1	100.0



**Figure 4.42: Overall ambience of the MFB: Bank has up--to date equipment**

### Interpretation

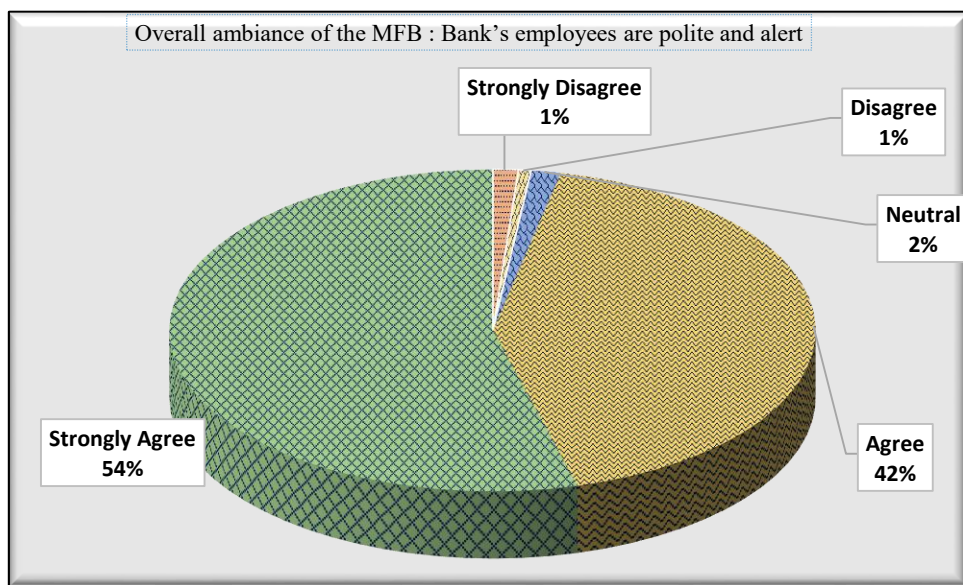
The above Table 4.46 presents the classification of respondents' overall ambience of the MFB: the Bank has up--to date equipment. 4.4% of respondents replied 'Strongly Disagree'; 0.2% replied 'Disagree'; 4.0% replied 'Neutral'; 40.3% replied 'Agree' and 51.1% replied 'Strongly Agree'.

### Inference

According to the above Table 4.46, it is found that out of 476 respondents around 435 respondents finds that: Overall ambience of the MFB: Bank has up--to date types of equipment.

**Table 4.47: Overall ambience of the MFB: Bank’s employees are polite and alert**

Your opinion about the overall ambience of the Micro Finance Banks: Bank’s employees are polite and alert	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	6	3	7	202	258	476
%	1.3	0.6	1.5	42.4	54.2	100.0



**Figure 4.43: Overall ambience of the MFB: Bank’s employees are polite and alert**

**Interpretation**

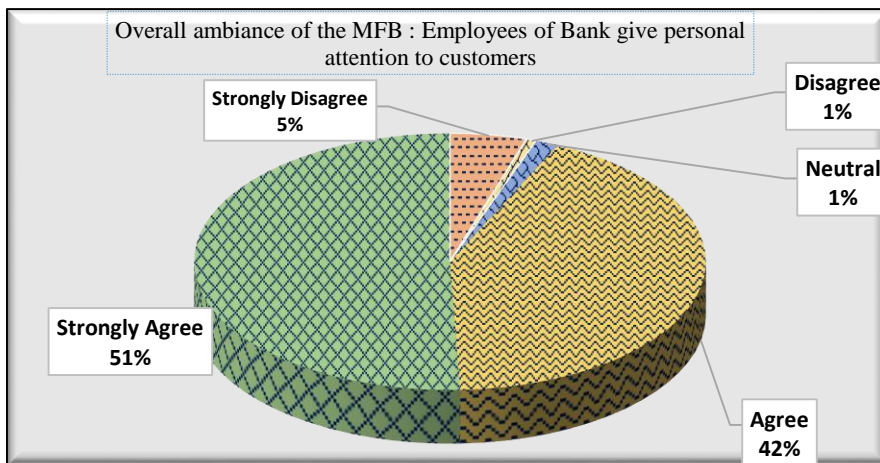
The above Table 4.47 represents that Bank’s employees are polite and alert. 1.3% of respondents replied ‘Strongly Disagree’; 0.6% replied ‘Disagree’; 1.5% replied ‘Neutral’; 42.4% replied ‘Agree’ and 54.2% replied ‘Strongly Agree’.

**Inference**

According to the above Table 4.47, it is found that out of 476 respondents around 460 Bank employees are polite and alert

**Table 4.48: Overall ambience of the MFB: Employees of the Bank gives personal attention to customers**

Your opinion about the overall ambience of the Micro Finance Banks: Employees of the Bank give personal attention to customers.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	23	3	7	202	241	476
%	4.8	0.6	1.5	42.4	50.6	100.0



**Figure 4.44: Overall ambience of the MFB: Employees of the Bank give personal attention to customers**

### Interpretation

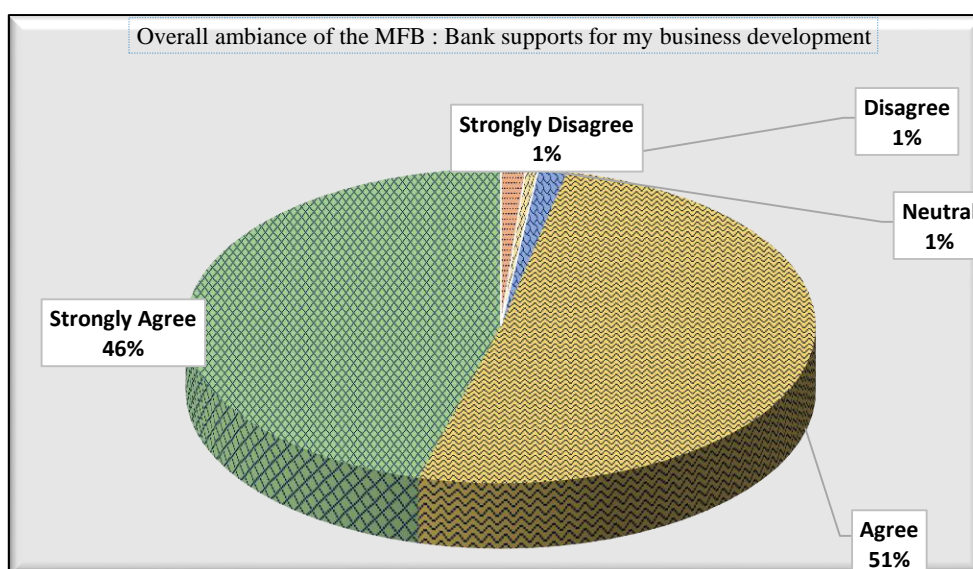
The above Table 4.48 represents that Employees of Bank gives personal attention to customers. 1.3% of respondents replied 'Strongly Disagree'; 4.8% of respondents replied 'Strongly Disagree'; 0.6% replied 'Disagree'; 1.5% replied 'Neutral'; 42.4% replied 'Agree' and 50.6% replied 'Strongly Agree'.

### Inference

According to the above Table 4.48, it is found that out of 476 respondents around 443 Employees of the Bank give personal attention to customers

**Table 4.49: Overall ambience of the MFB: Bank supports my business development**

Your opinion about the overall ambience of the Micro Finance Banks: Bank supports my business development,	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	6	3	7	242	218	476
%	1.3	0.6	1.5	50.8	45.8	100.0



**Figure 4.45: Overall ambience of the MFB: Bank supports my business development**

### Interpretation

The above Table 4.49 represents that Bank supports my business development. 1.3% of respondents replied ‘Strongly Disagree’; 1.3% of respondents replied ‘Strongly Disagree’; 0.6% replied ‘Disagree’; 1.5% replied ‘Neutral’; 50.8% replied ‘Agree’ and 45.8% replied ‘Strongly Agree’.

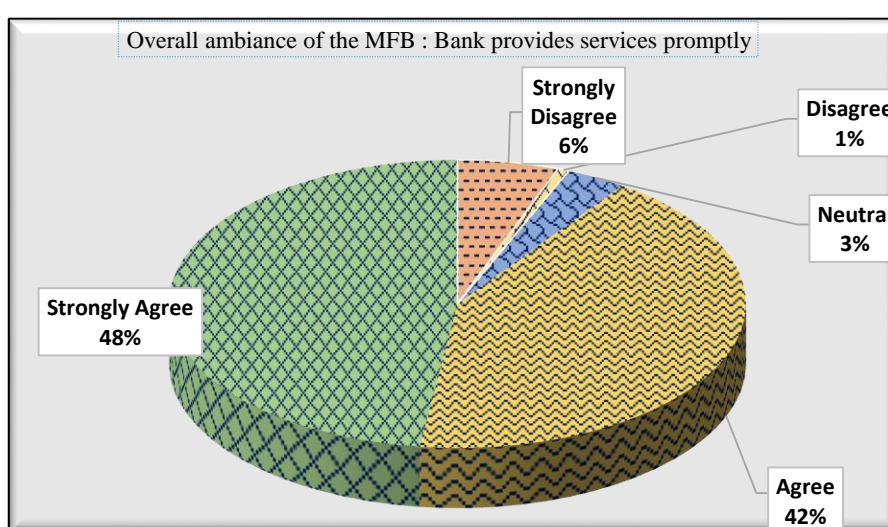
### Inference

According to the above Table 4.49, it is found that out of 476 respondents around 460 Bank supports their business development



**Table 4.50: Overall ambience of the MFB: Bank provides services promptly**

Your opinion about the overall ambience of the Micro Finance Banks: Bank provides services promptly	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	27	3	16	202	228	476
%	5.7	0.6	3.4	42.4	47.9	100.0



**Figure 4.46: Overall ambience of the MFB: Bank provides services promptly**

### Interpretation

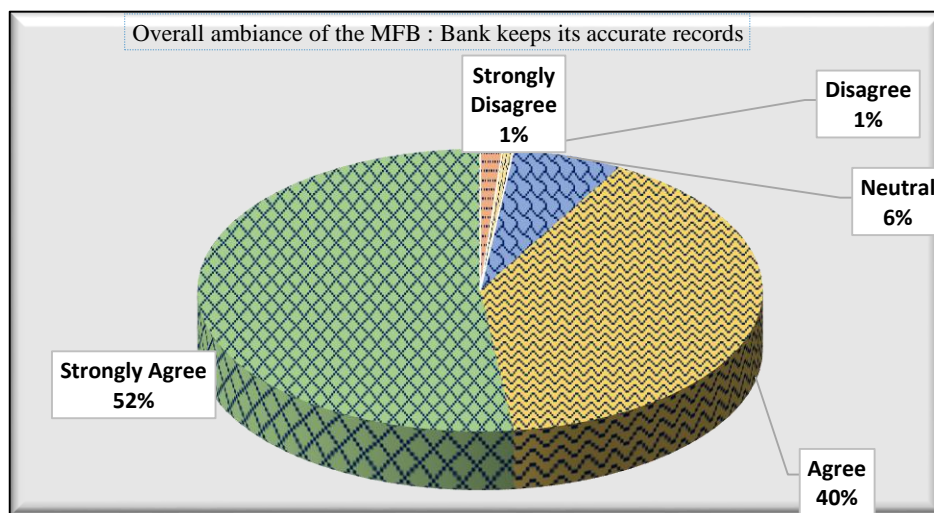
The above Table 4.50 represents the response that Bank provides services promptly. 5.7% of respondents replied 'Strongly Disagree'; 0.6% replied 'Disagree'; 3.4% replied 'Neutral'; 42.4% replied 'Agree' and 47.9% replied 'Strongly Agree'.

### Inference

According to above Table 4.50, it is found that out of 476 respondents around 430 respondents think that Bank provides services promptly.

**Table 4.51: Overall ambience of the MFB: Bank keeps its accurate records**

Your opinion about the overall ambience of the Micro Finance Banks: Bank keeps its accurate records	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	6	3	30	190	247	476
%	1.3	0.6	6.3	39.9	51.9	100.0



**Figure 4.47: Overall ambience of the MFB: Bank keeps its accurate records**

### Interpretation

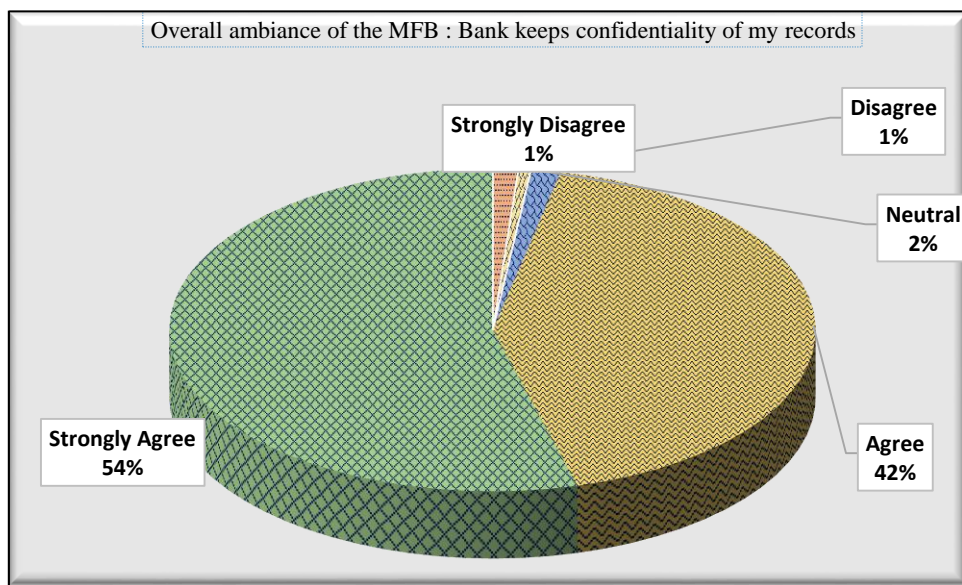
The above Table 4.51 represents the response that Bank keeps its accurate records. 1.3% of respondents replied 'Strongly Disagree'; 0.6% replied 'Disagree'; 6.3% replied 'Neutral'; 39.9% replied 'Agree' and 51.9% replied 'Strongly Agree'.

### Inference

According to above Table 4.51, it is found that out of 476 respondents around 437 respondents responded that Bank keeps accurate records.

**Table 4.52: Overall ambience of the MFB: Bank keeps the confidentiality of my records**

Your opinion about the overall ambience of the Micro Finance Banks: Bank keeps confidentiality of my records	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	6	3	7	202	258	476
%	1.3	0.6	1.5	42.4	54.2	100.0



**Figure 4.48: Overall ambience of the MFB: Bank keeps the confidentiality of my records**

### Interpretation

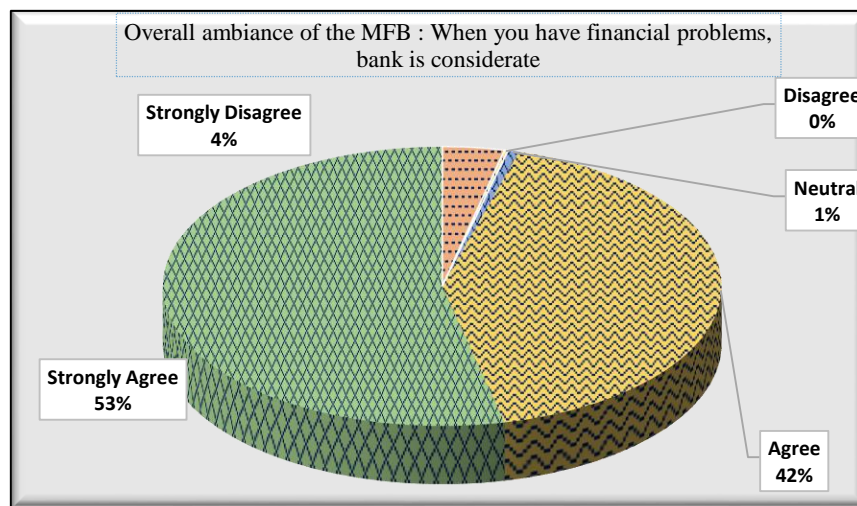
The above Table 4.52 represents the response that the Bank keeps confidentiality of my records. 1.3% of respondents replied 'Strongly Disagree'; 0.6% replied 'Disagree'; 1.5% replied 'Neutral'; 42.4% replied 'Agree' and 54.2% replied 'Strongly Agree'.

### Inference

According to above Table 4.52, it is found that out of 476 respondents around 437 respondents responded that Bank keeps confidentiality of the records.

**Table 4.53: Overall ambience of the MFB: When you have financial problems, is the bank considerate**

Your opinion about the overall ambience of the Micro Finance Banks: When you have financial problems, is the bank considerate?	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	17	1	3	200	255	476
%	3.6	0.2	0.6	42.0	53.6	100.0



**Figure 4.49: Overall ambience of the MFB: When you have financial problems, is the bank considerate**

### Interpretation

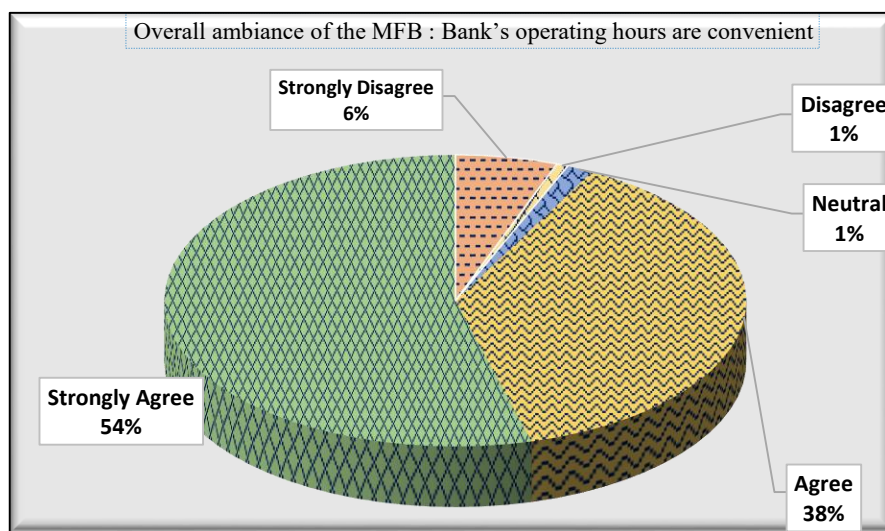
The above Table 4.53 represents that when you have financial problems, is the bank considerate? 3.6% of respondents replied ‘Strongly Disagree’; 0.2% replied ‘Disagree’; 0.6% replied ‘Neutral’; 42.0% replied ‘Agree’ and 53.6% replied ‘Strongly Agree’.

### Inference

According to above Table 4.53, it is found that out of 476 respondents 455 respondents responded that when you have financial problems, a bank is considerate.

**Table 4.54: Overall ambience of the MFB: Bank’s operating hours are convenient**

Your opinion about the overall ambience of the Micro Finance Banks: Bank’s operating hours are convenient	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	27	3	7	181	258	476
%	5.7	0.6	1.5	38.0	54.2	100.0



**Figure 4.50: Overall ambience of the MFB: Bank’s operating hours are convenient**

### Interpretation

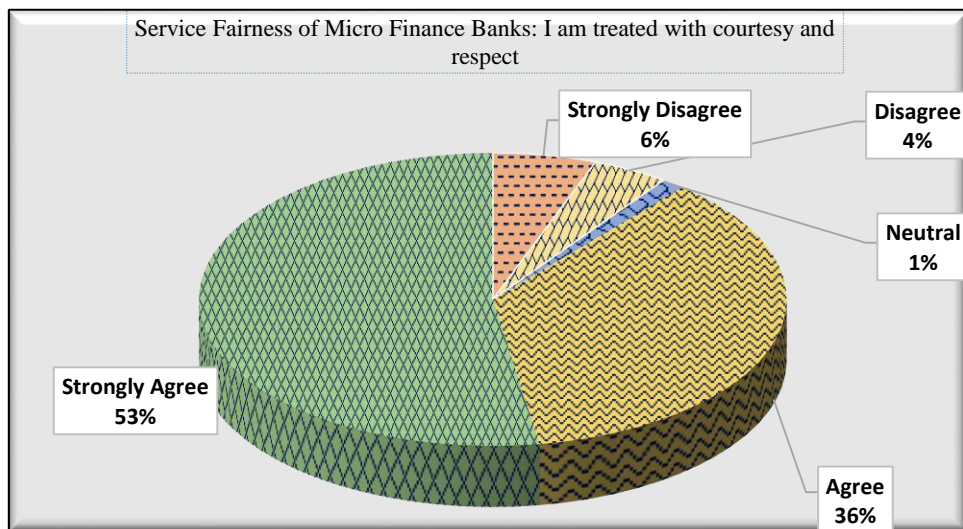
The above Table 4.54 represents that Bank’s operating hours are convenient. 5.7% of respondents replied ‘Strongly Disagree’; 0.6% replied ‘Disagree’; 1.5% replied ‘Neutral’; 38.0% replied ‘Agree’ and 54.2% replied ‘Strongly Agree’.

### Inference

According to above Table 4.54, it is found that out of 476 respondents 455 responded that Bank’s operating hours are convenient.

**Table 4.55: Service Fairness of Micro Finance Banks: I am treated with courtesy and respect**

Service Fairness of Micro Finance Banks: I am treated with courtesy and respect.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	27	20	6	173	250	476
%	5.7	4.2	1.3	36.3	52.5	100.0



**Figure 4.51: Service Fairness of Micro Finance Banks: I am treated with courtesy and respect**

### Interpretation

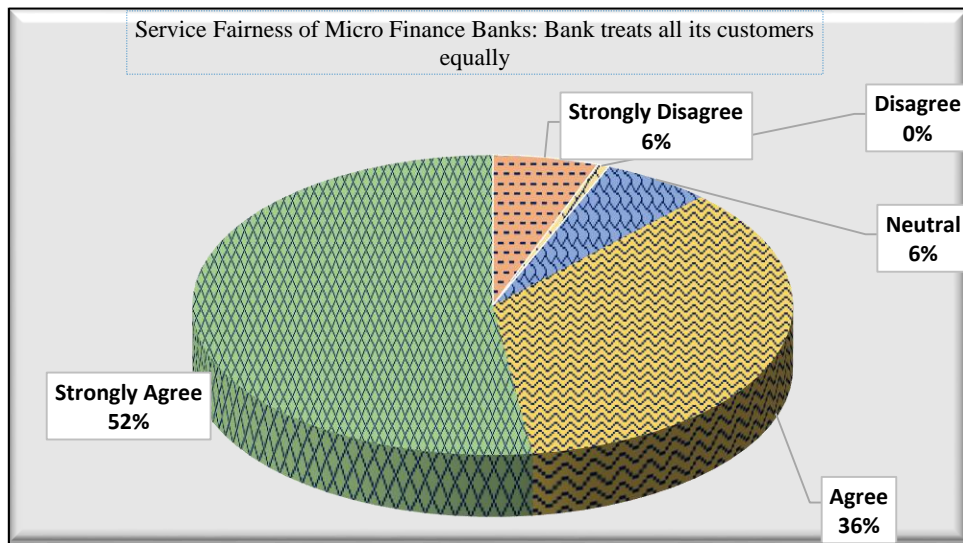
The above Table 4.55 represents that they are treated with courtesy and respect. 5.7% of respondents replied 'Strongly Disagree'; 4.2% replied 'Disagree'; 1.3% replied 'Neutral'; 36.3% replied 'Agree' and 52.5% replied 'Strongly Agree'.

### Inference

According to above Table 4.55, it is found that out of 476 respondents 423 responded that they are treated with courtesy and respect by the bank employees.

**Table 4.56: Service Fairness of Micro Finance Banks: Bank treats all their customers equally**

Service Fairness of Micro Finance Banks: Bank treats all their customers equally.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	27	3	28	170	248	476
%	5.7	0.6	5.9	35.7	52.1	100.0



**Figure 4.52: Service Fairness of Micro Finance Banks: Bank treats all their customers equally**

### Interpretation

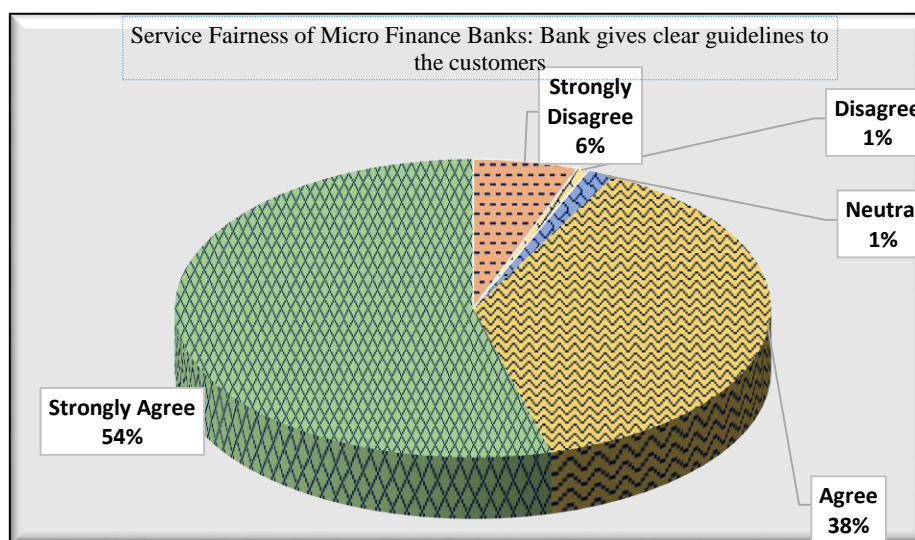
The above Table 4.56 represents that Bank treats all its customers equally. 5.7% of respondents replied 'Strongly Disagree'; 0.6% replied 'Disagree'; 5.9% replied 'Neutral'; 35.7% replied 'Agree' and 52.1% replied 'Strongly Agree'.

### Inference

According to above Table 4.56, it is found that out of 476 respondents 418 responded that Bank treats all its customers equally.

**Table 4.57: Service Fairness of Micro Finance Banks: Bank gives clear guidelines to the customers.**

Service Fairness of Micro Finance Banks: Bank gives clear guidelines to the customers	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	27	3	7	181	258	476
%	5.7	0.6	1.5	38.0	54.2	100.0



**Figure 4.53: Service Fairness of Micro Finance Banks: Bank gives clear guidelines to the customers.**

### Interpretation

The above Table 4.57 represents that bank gives clear guidelines to their customers. 5.7% of respondents replied 'Strongly Disagree'; 0.6% replied 'Disagree'; 1.5% replied 'Neutral'; 38.0% replied 'Agree' and 54.2% replied 'Strongly Agree'.

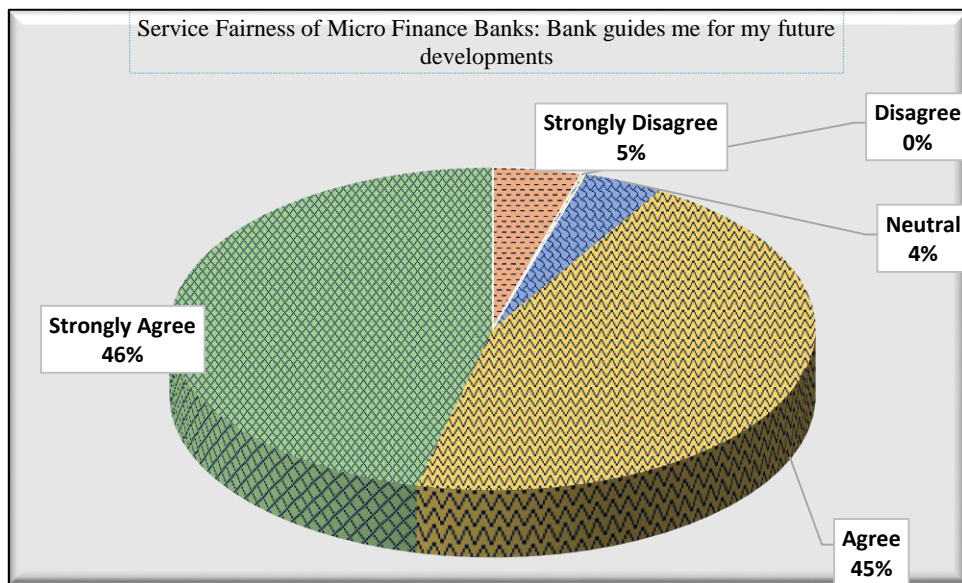
### Inference

According to above Table 4.57, it is found that out of 476 respondents 439 responded that Bank gives clear guidelines to their customers.



**Table 4.58: Service Fairness of Micro Finance Banks: Bank guides me in my future developments**

Service Fairness of Micro Finance Banks: Bank guides me in my future developments	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	21	1	19	215	220	476
%	4.4	0.2	4.0	45.2	46.2	100.0



**Figure 4.54: Service Fairness of Micro Finance Banks: Bank guides me in my future developments**

### Interpretation

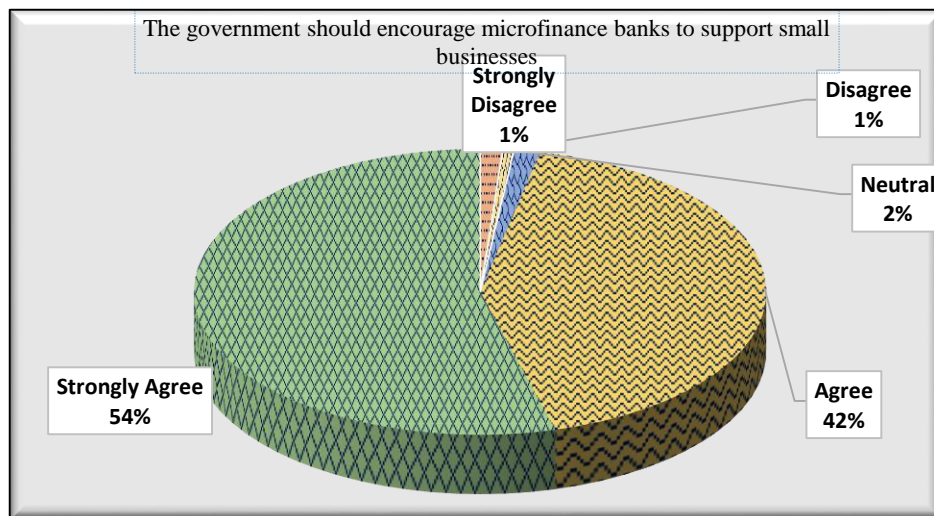
The above Table 4.58 represents that banks guide them for future developments. 4.4% of respondents replied ‘Strongly Disagree’; 0.2% replied ‘Disagree’; 4.0% replied ‘Neutral’; 45.2% replied ‘Agree’ and 46.2% replied ‘Strongly Agree’.

### Inference

According to above Table 4.58, it is found that out of 476 respondents 435 responded that bank guides them for future developments.

**Table 4.59: The government should encourage microfinance banks to support small businesses?**

The government should encourage microfinance banks to support small businesses?	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	6	3	7	202	258	476
%	1.3	0.6	1.5	42.4	54.2	100.0



**Figure 4.55: The government should encourage microfinance banks to support small businesses?**

### Interpretation

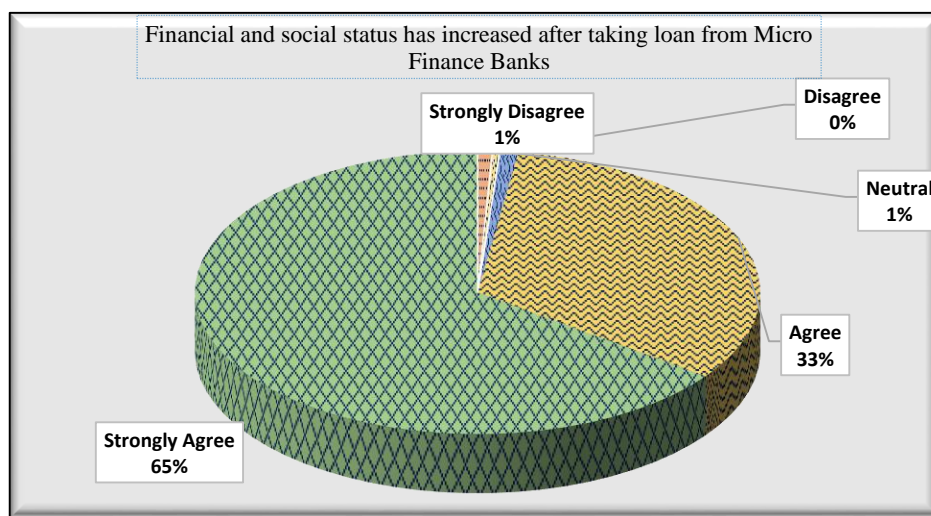
The above Table 4.59 represents that the government should encourage microfinance banks to support small businesses - 1.3% of respondents replied 'Strongly Disagree'; 0.6% replied 'Disagree'; 1.5% replied 'Neutral'; 42.4% replied 'Agree' and 54.2% replied 'Strongly Agree'.

### Inference

According to above Table 4.59, it is found that out of 476 respondents 460 responded that the government should encourage microfinance banks to support small businesses.

**Table 4.60: Do you feel your financial and social status has increased after taking a loan from Micro Finance Banks?**

Do you feel your financial and social status has increased after taking a loan from Micro Finance Banks?	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Frequency	4	2	5	156	309	476
%	0.8	0.4	1.1	32.8	64.9	100.0



**Figure 4.56: Do you feel your financial and social status has increased after taking a loan from Micro Finance Banks?**

### Interpretation

The above Table 4.60 represents that the financial and social status has increased after taking a loan from Micro Finance Banks- 0.8% of respondents replied 'Strongly Disagree'; 0.4% replied 'Disagree'; 1.1% replied 'Neutral'; 32.8% replied 'Agree' and 64.9% replied 'Strongly Agree'.

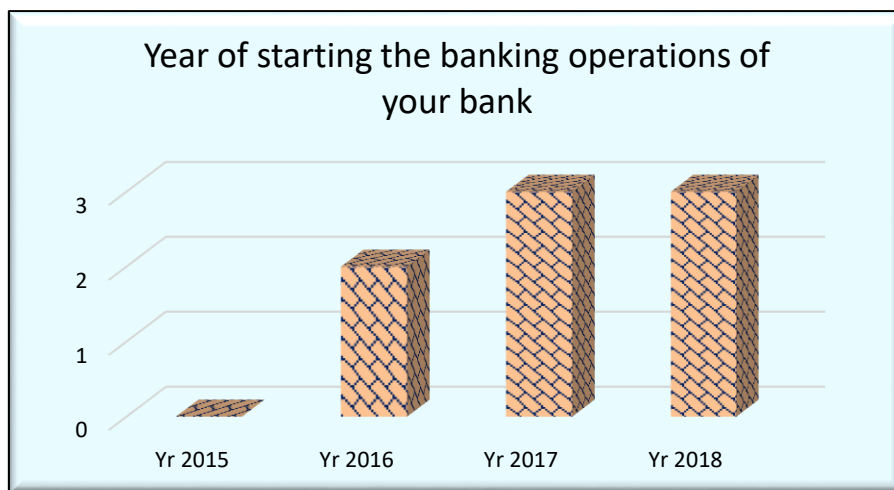
### Inference

According to the above Table 4.60, it is found that out of 476 respondents 465 responded that their financial and social status has increased after taking a loan from Micro Finance Banks.

**Frequency Distribution for QuestionnaireII: - For MFI's (Micro Finance Institutes)**

**Table 4.61:** Year of starting the banking operations of your bank

Year of starting the banking operations of your bank	Frequency	%
Year 2015	0	0.0
YeThe year016	2	25.0
Year 2017	3	37.5
Year 2018	3	37.5
Total	8	100.0



**Figure 4.57:** Year of starting the banking operations of your bank

**Interpretation**

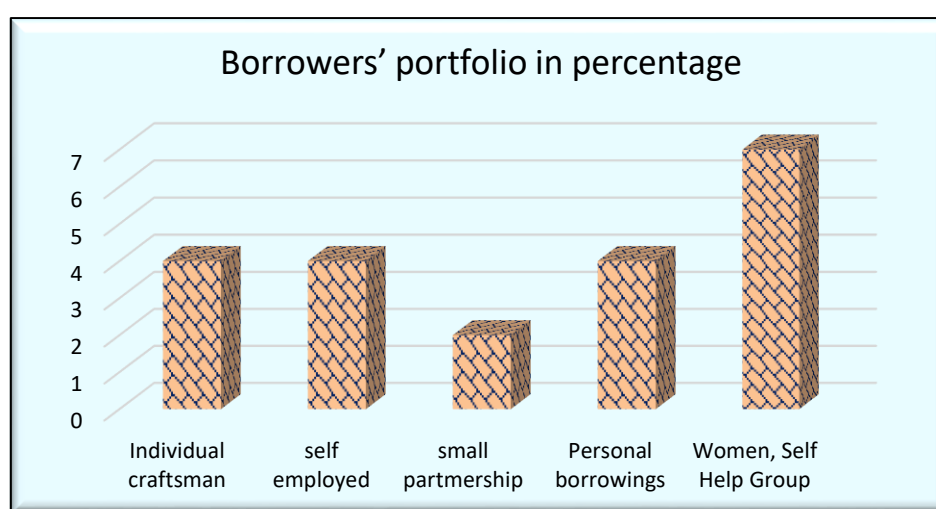
The above Table 4.61 represents the year of establishment of the bank - 0.0% of respondents replied 'The Year 2015'; 25.0% respondents replied 'The Year 2016'; 37.5% respondents replied 'The Year 2017' and 37.5% respondents replied 'The Year 2018'.

**Inference**

According to the above Table 4.61, it is found that out of a total of 8 banks 6 banks started their operations from 2017 onwards and the rest 2 started in 2016 in Pune City.

**Table 4.62: Borrowers' portfolio in percentage**

Borrowers' portfolio in percentage	Frequency	%
Individual craftsman	4	50.0
self-employed	4	50.0
small partnership	2	25.0
Personal borrowings	4	50.0
Women, Self Help Group	7	87.5



**Figure 4.58: Borrowers' portfolio in percentage**

### **Interpretation**

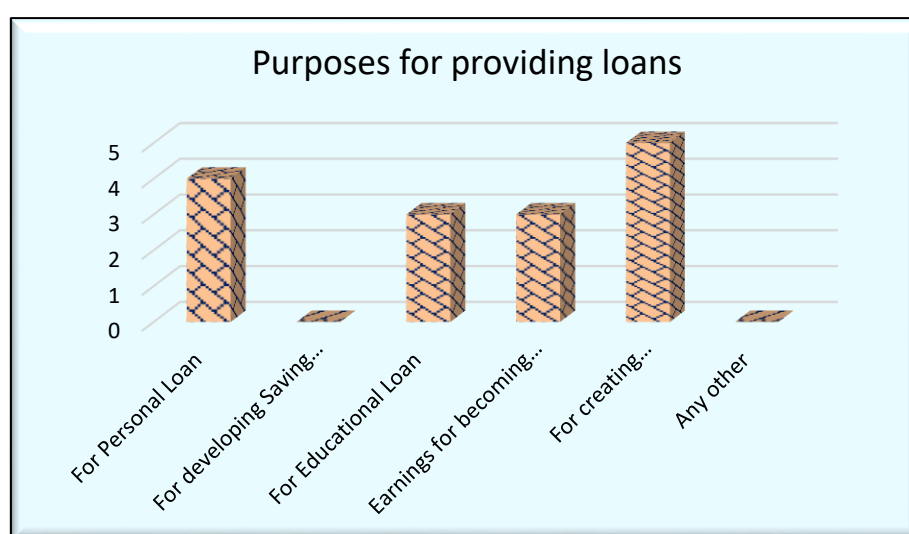
The above Table 4.62 represents borrowers' portfolios in percentage that - 50.0% of respondents replied 'Individual craftsman'; 50.0% of respondents replied 'self-employed'; 25.0% of respondents replied 'small partnership'; 50.0% of respondents replied 'Personal borrowings'; 87.5% respondents replied 'Women, Self Help Group'.

### **Inference**

According to the above Table 4.62 represents that most of the loan is given to self-employment and self-help groups.

**Table 4.63: Q3 - For what purposes do you provide loans?**

Purposes for providing loans	Frequency	%
For Personal Loan	4	50.0
For developing Saving habits	0	0.0
For Educational Loan	3	37.5
Earnings for becoming self-reliant	3	37.5
For creating employability for others	5	62.5
Any other	0	0.0



**Figure 4.59: Q3 - For what purposes do you provide loans?**

### **Interpretation**

The above Table 4.63 represents the purpose for which banks provide loans - 50.0% of respondents replied 'Individual craftsman'; 50.0% respondents replied 'For Personal Loan'; 0.0% respondents replied 'For developing Saving habits'; 37.5% respondents replied 'For Educational Loan'; 37.5% respondents replied 'Earnings for becoming self-reliant'; 62.5% respondents replied 'For creating employability to others'; 0.0% respondents replied 'Any other'.

### **Inference**

According to the above Table 4.63 represents that the majority of respondents are getting loans for personal, businesses and the least priority is for educational loans

**Table 4.64: - Minimum amount offered for Micro Credit**

The minimum amount offered for Micro Credit	Frequency	%
2500-5000	1	12.5
5000 - 15000	2	25.0
15000 and above	5	62.5
Total	8	100.0



**Figure 4.60:- Minimum amount offered for Micro Credit**

### **Interpretation**

The above Table 4.64 represents that the Minimum amount offered for Micro Credit by banks is-50.0% of respondents replied 'Individual craftsman'; 12.5% of respondents replied '2500-5000'; 25.0% respondents replied '5000 - 15000'; 62.5% respondents replied '15000 and above'.

### **Inference**

According to the above Table 4.64 represents the Minimum amount offered for Micro Credit by banks is from 2500 to 15000.

**Table 4.65: - Maximum amount offered for Micro Credit**

The maximum amount offered for Micro Credit	Frequency	%
2000 and above	4	50.0
20000 and above	4	50.0
Total	8	100.0



**Figure 4.61:- Maximum amount offered for Micro Credit**

### **Interpretation**

The above Table 4.65 represents that the maximum amount offered by a bank is- 50.0% of respondents replied '2000 and above'; 50.0% of respondents replied '20000 and above'.

### **Inference**

According to the above Table 4.65 represents that the maximum amount offered by a bank is above 20000.



**Table 4.66: Minimum Credit Period**

Minimum Credit Period	Frequency	%
1 to 3 years	8	100.0

**Interpretation**

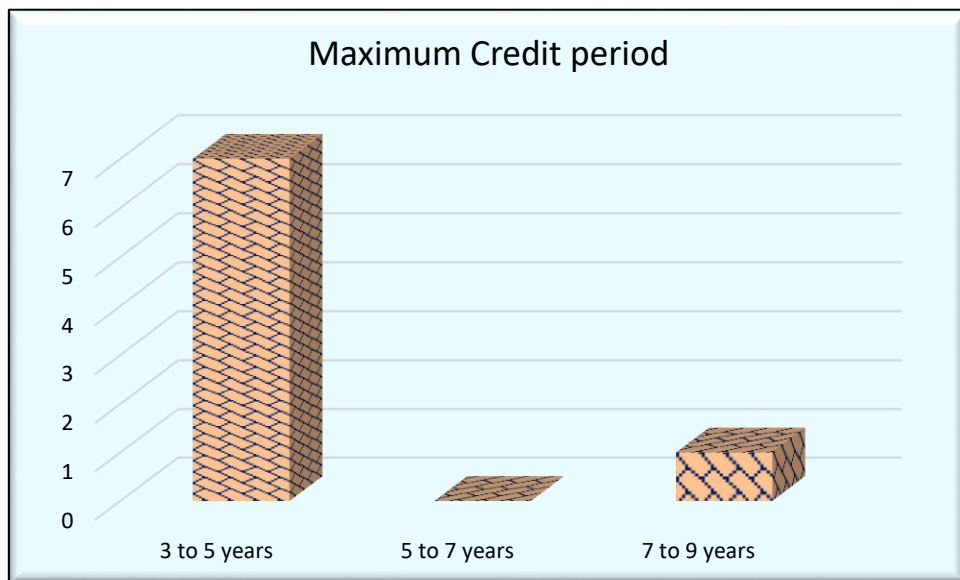
The above Table 4.66 represents that 100.0% of respondents replied that the Minimum Credit Period is '1 to 3 years'.

**Inference**

According to the above Table 4.66, it represents Minimum Credit Period is '1 to 3 years'.

**Table 4.67: Maximum Credit period**

Maximum Credit period	Frequency	%
3 to 5 years	7	87.5
5 to 7 years	0	0.0
7 to 9 years	1	12.5
Total	8	100.0



**Figure 4.62: Maximum Credit Period**

**Interpretation**

The above Table 4.67 represents that the Maximum Credit period for offering a loan is -87.5% of respondents replied '3 to 5 years; 0.0% of respondents replied '5 to 7 years'; 12.5% of respondents replied '7 to 9 years'.

**Inference**

According to the above Table 4.67 represents the maximum credit period of 3 to 5 years for 7 banks and 7 to 9 years for the other bank.

**Table 4.68: Are customers able to pay the loan installments regularly?**

Are customers able to pay the loan instalments regularly?	Frequency	%
Yes	8	100.0

**Interpretation**

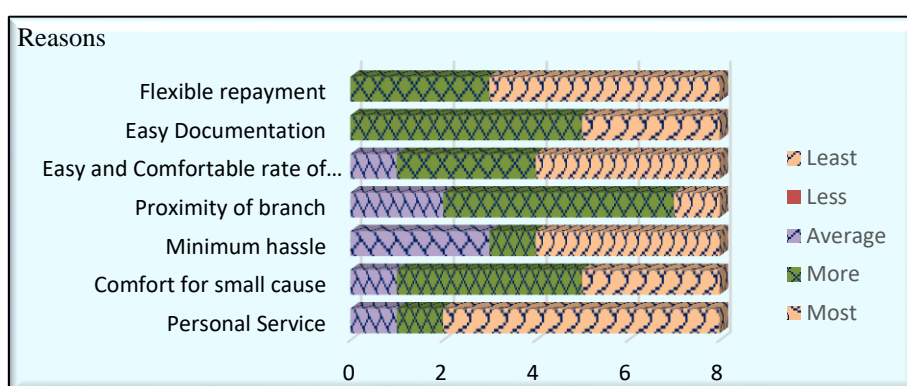
The above Table 4.68 represents 100.0% of respondents who replied ‘Yes’ to the repayment of loan installments regularly.

**Inference**

The above Table 4.68 represents that the entire small finance bank customers can pay the loan installments regularly.

**Table 4.69: What stands you different from other Banks?**

Reason	Least	Less	Average	More	Most	Total
Personal Service	0	0	1	1	6	8
%	0.0	0.0	12.5	12.5	75.0	100.0
Comfort for small cause	0	0	1	4	3	8
%	0.0	0.0	12.5	50.0	37.5	100.0
Minimum hassle	0	0	3	1	4	8
%	0.0	0.0	37.5	12.5	50.0	100.0
Proximity of branch	0	0	2	5	1	8
%	0.0	0.0	25.0	62.5	12.5	100.0
Easy and Comfortable rate of Interest	0	0	1	3	4	8
%	0.0	0.0	12.5	37.5	50.0	100.0
Easy Documentation	0	0	0	5	3	8
%	0.0	0.0	0.0	62.5	37.5	100.0
Flexible repayment	0	0	0	3	5	8
%	0.0	0.0	0.0	37.5	62.5	100.0



**Figure 4.63: What stands you different from other Banks?**

### Interpretation

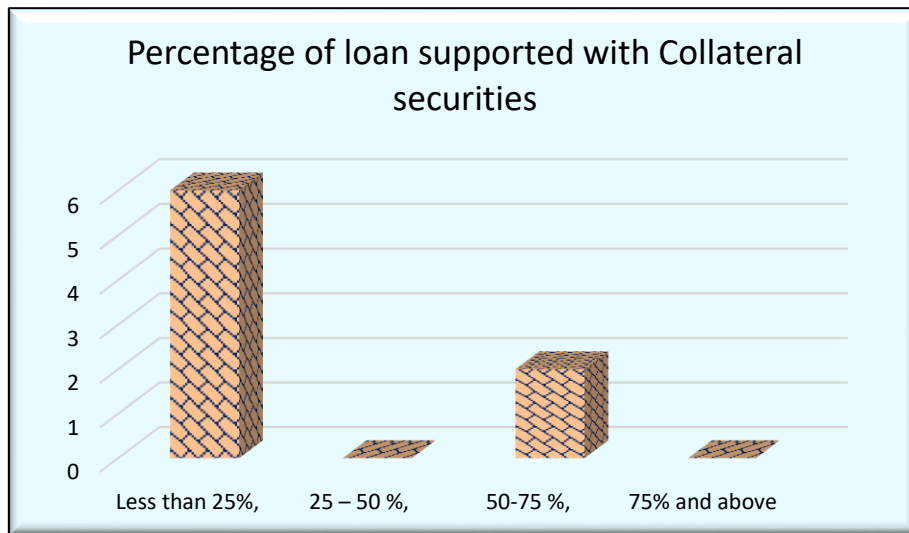
The above Table 4.69 represents the responses for what stands them different from other banks; all reasons are concentrated around 'More' and 'most. Nobody replied 'Least' and 'Less'.

### Inference

According to the above Table 4.69 represents that respondents feel that the microfinance banks stand different from other banks.

**Table 4.70: - Percentage of loans supported with Collateral securities**

Percentage of loans supported with Collateral securities	Frequency	%
Less than 25%	6	75.0
25 – 50 %	0	0.0
50-75 %	2	25.0
75% and above	0	0.0
Total	8	100.0



**Figure 4.64: - Percentage of loans supported with Collateral securities**

**Interpretation**

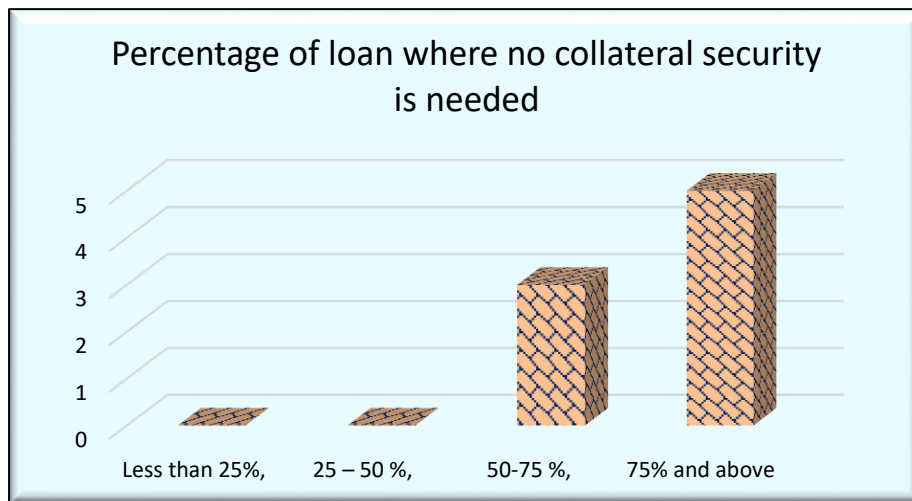
The above Table 4.70 represents the percentage of loan supported with Collateral securities- 75.0% respondents replied ‘Less than 25%’; .0% respondents replied ‘25 – 50 %’; 25.0% respondents replied ‘50-75 %’; 0.0% respondents replied ‘75% and above’.

**Inference**

According to the above Table 4.70 represents that the Percentage of loans supported with Collateral securities is less than 25%.

**Table 4.71: - Percentage of loans where no collateral security is needed**

Percentage of loans where no collateral security is needed	Frequency	%
Less than 25%	0	0.0
25 – 50 %	0	0.0
50-75 %	3	37.5
75% and above	5	62.5
Total	8	100.0



**Figure 4.65 - Percentage of loans where no collateral security is needed**

### **Interpretation**

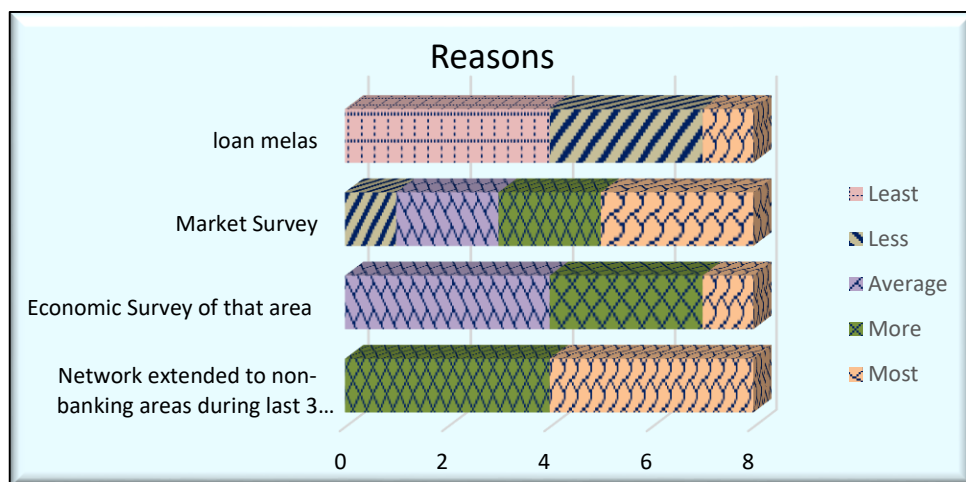
The above Table 4.71 represents the percentage of loans where no collateral security is needed - 00.0% of respondents replied 'Less than 25%'; 0.0% of respondents replied '25 – 50 %'; 37.5% of respondents replied '50-75 %'; 62.5% respondents replied '75% and above'.

### **Inference**

According to the above Table 4.71 represents the Percentage of loans supported with No Collateral securities is 70% and above.

**Table 4.72: What extra efforts do you take to become Bank-reached areas?**

Reason	Least	Less	Average	More	Most	Total
Network extended to non-banking areas during last 3 years	0	0	0	4	4	8
%	0.0	0.0	0.0	50.0	50.0	100.0
Economic Survey of that area	0	0	4	3	1	8
%	0.0	0.0	50.0	37.5	12.5	100.0
Market Survey	0	1	2	2	3	8
%	0.0	12.5	25.0	25.0	37.5	100.0
loan melas	4	3	0	0	1	8
%	50.0	37.5	0.0	0.0	12.5	100.0



**Figure 4.66: What extra efforts do you take to become Bank-reached areas?**

### Interpretation

The above Table 4.72 extra efforts taken by the bank to become Bank-reached that responses for all reasons are ‘More’ and ‘most’ for all options. Nobody replied ‘Least’ and ‘Less’ except for Loan Melas and market Survey.

### Inference

According to the above Table 4.72 extra efforts taken by banks to become Bank-reached that responses for all reasons are concentrated around ‘More’ and ‘most’. Nobody replied ‘Least’ and ‘Less’ except for Loan Melas and market Survey.

**Table 4.73: - Have you extended Government Schemes?**

Have you extended Government Schemes?	Frequency	%
Yes	8	100.0

**Interpretation**

The above Table 4.73 represents the 100.0% of respondents who replied ‘Yes’ to extended Government Schemes

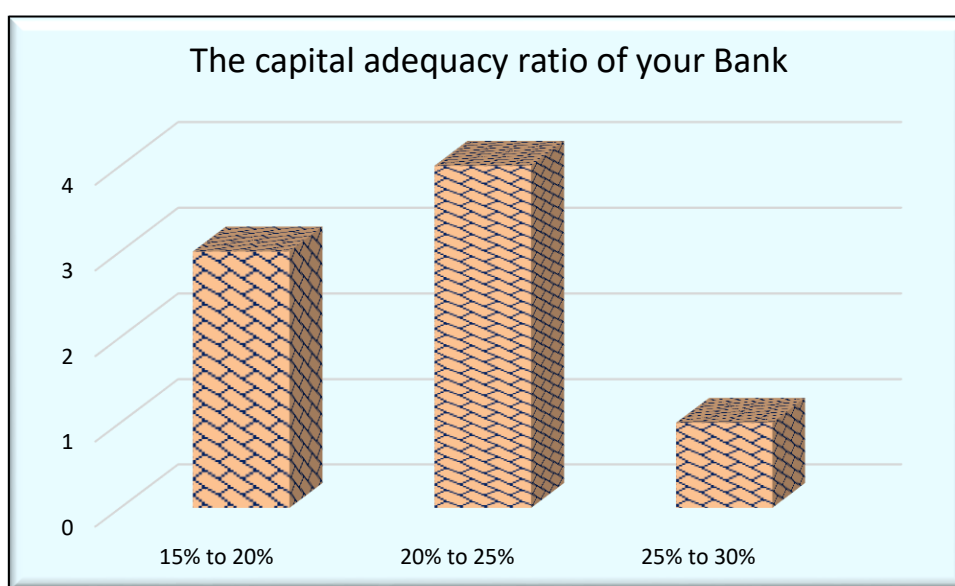
**Inference**

According to the above Table 4.73 represents that they have extended Government Schemes.



**Table 4.74: - What is the capital adequacy ratio of your Bank?**

The capital adequacy ratio of your Bank	Frequency	%
15% to 20%	3	37.5
20% to 25%	4	50.0
25% to 30%	1	12.5
Total	8	100.0



**Figure 4.67: - What is the capital adequacy ratio of your Bank?**

### **Interpretation**

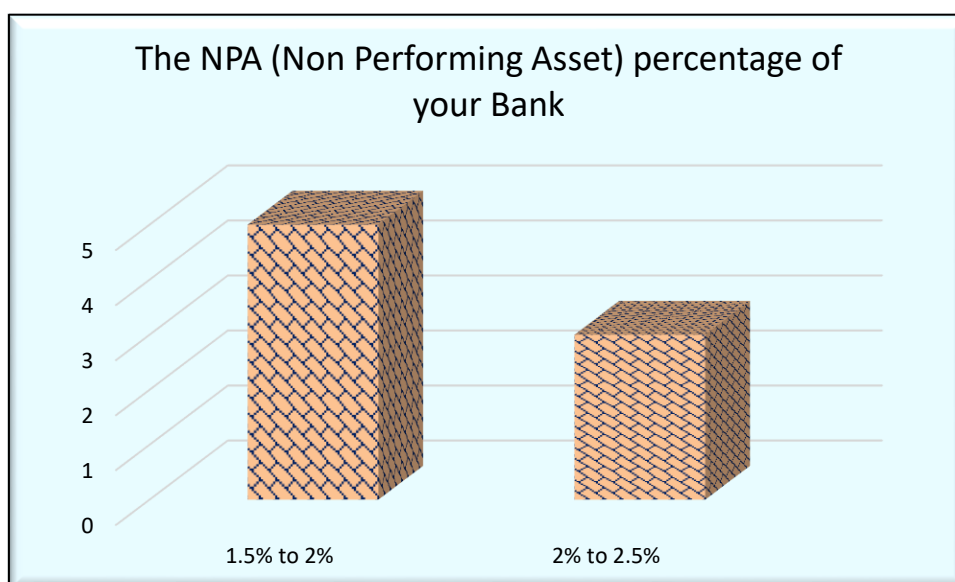
the above Table 4.74 represents that the capital adequacy ratio is - 37.5% respondents replied '15% to 20%'; 50.0% respondents replied '20% to 25%'; 12.5% respondents replied '25% to 30%'.

### **Inference**

According to the above Table 4.74 represents that the capital adequacy ratio of banks is 20% to 25%.

**Table 4.75: - What is the NPA (Non-Performing Asset) percentage of your Bank?**

The NPA (Non-Performing Asset) percentage of your Bank	Frequency	%
1.5% to 2%	5	62.5
2% to 2.5%	3	37.5
Total	8	100.0



**Figure 4.68: - What is the NPA (Non-Performing Asset) percentage of your Bank?**

### **Interpretation**

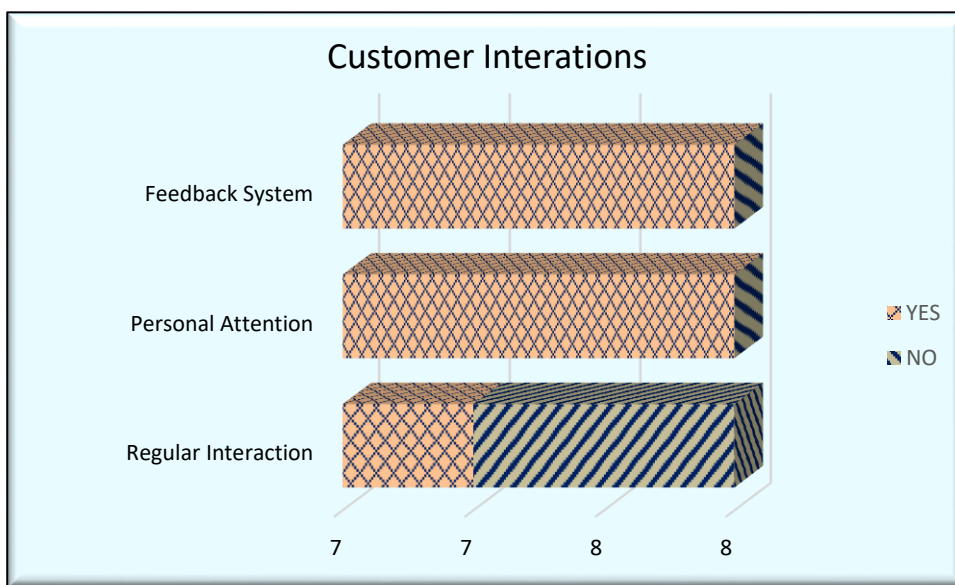
From the above Table 4.75 represents the NPA (Non Performing Asset) percentage- 62.5% respondents replied '1.5% to 2%'; 37.5% respondents replied '2% to 2.5%'.

### **Inference**

According to the above Table 4.75 represents that the NPA (Non-Performing Asset) percentage of banks is less than 2.5.

**Table 4.76: - How do you manage interactions with customers?**

Customer Interactions	YES	%	NO	%	Total	%
Regular Interaction	7	87.5	1	12.5	8	100.0
Personal Attention	8	100.0	0	0.0	8	100.0
Feedback System	8	100.0	0	0.0	8	100.0



**Figure 4.69: - How do you manage interactions with customers?**

### **Interpretation**

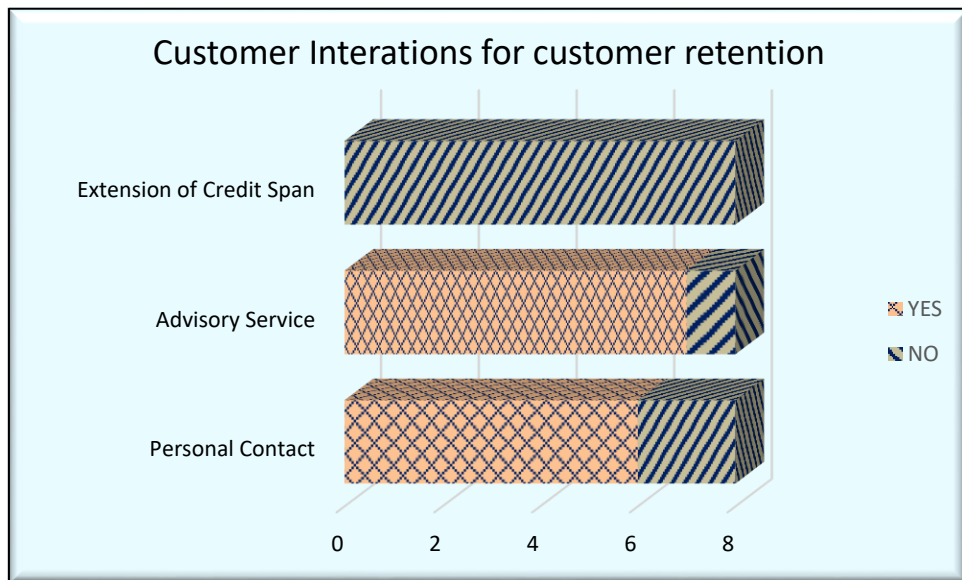
From the above Table 4.76 represents that the bank's interaction with customers is concentrated 'Yes'. Nobody replied 'No' except Regular Interaction.

### **Inference**

According to the above Table 4.76 represents that all the banks are having regular interactions with their customers.

**Table 4.77: - What efforts do you take for customer retention?**

Customer Interactions for customer retention	YES	%	NO	%	Total	%
Personal Contact	6	75.0	2	25.0	8	100.0
Advisory Service	7	87.5	1	12.5	8	100.0
Extension of Credit Span	0	0.0	8	100.0	8	100.0



**Figure 4.70: - What efforts do you take for customer retention?**

**Interpretation**

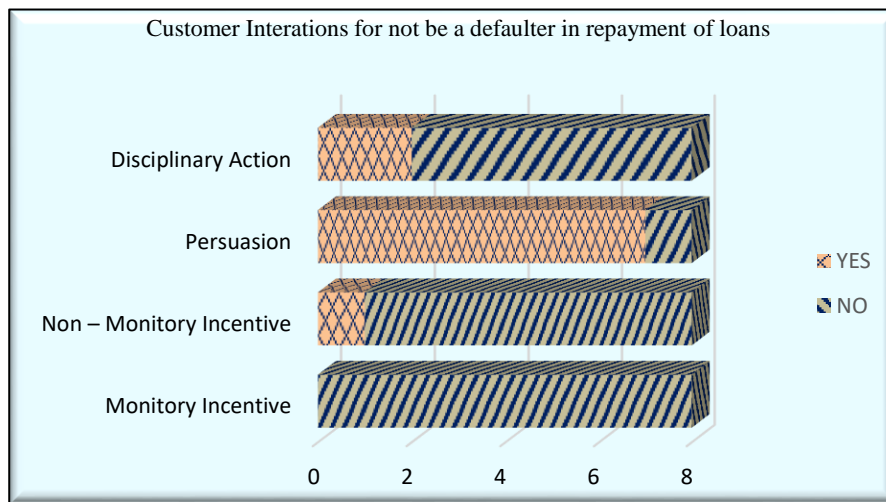
From the above Table 4.77 represents the responses for all reasons are concentrated around 'Yes'. Nobody replied 'No' except Regular Interaction for customer retention.

**Inference**

According to the above Table 4.77 represents that all the banks are having regular interactions for customer retention.

**Table 4.78: - How do you motivate your clients, not to be a defaulter in the repayment of loans?**

Customer Interactions for not being a defaulter in repayment of loans	YES	%	NO	%	Total	%
Monitory Incentive	0	0.0	8	100.0	8	100.0
Non – Monitory Incentive	1	12.5	7	87.5	8	100.0
Persuasion	7	87.5	1	12.5	8	100.0
Disciplinary Action	2	25.0	6	75.0	8	100.0



**Figure 4.71: - How do you motivate your clients, not to be a defaulter in the repayment of loans?**

### **Interpretation**

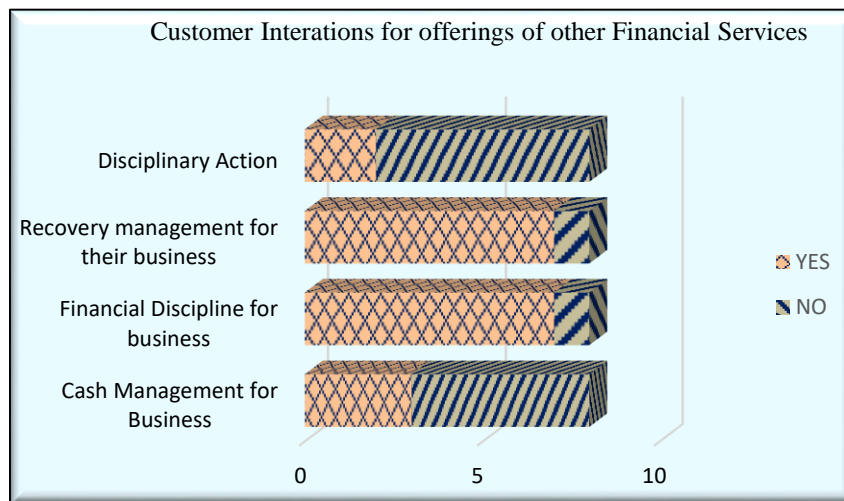
From the above Table 4.78 represents the response efforts made by the banks so that the customer is not a defaulter in the repayment of loans.

### **Inference**

According to the above Table 4.78 represents the efforts made by the banks so that the customer can repay the loan.

**Table 4.79: - What Other Financial Services do you offer to your customers?**

Customer Interactions for offerings of other Financial Services	YES	%	NO	%	Total	%
Cash Management for Business	3	37.5	5	62.5	8	100.0
Financial Discipline for business	7	87.5	1	12.5	8	100.0
Recovery management for their business	7	87.5	1	12.5	8	100.0
Disciplinary Action	2	25.0	6	75.0	8	100.0



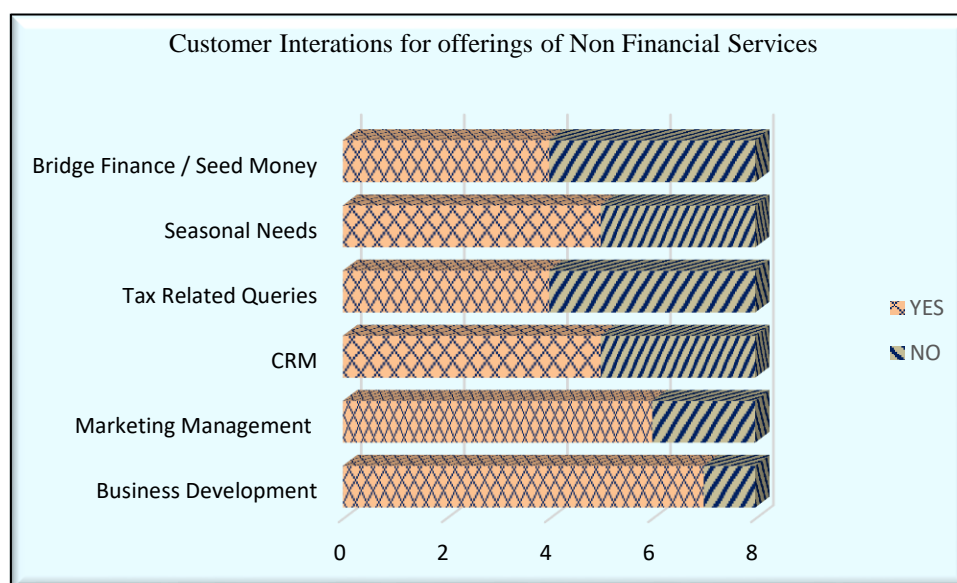
**Figure 4.72: - What other Financial Services do you offer to your customers?**

### **Inference**

According to the above Table, 4.79 represents the other Financial Services offered by the bank to their customers.

**Table 4.80: - What other Non - Financial Services do you offer to your customers?**

Customer Interactions for offerings of Non-Financial Services	YES	%	NO	%	Total	%
Business Development	7	87.5	1	12.5	8	100.0
Marketing Management	6	75.0	2	25.0	8	100.0
CRM	5	62.5	3	37.5	8	100.0
Tax Related Queries	4	50.0	4	50.0	8	100.0
Seasonal Needs	5	62.5	3	37.5	8	100.0
Bridge Finance / Seed Money	4	50.0	4	50.0	8	100.0



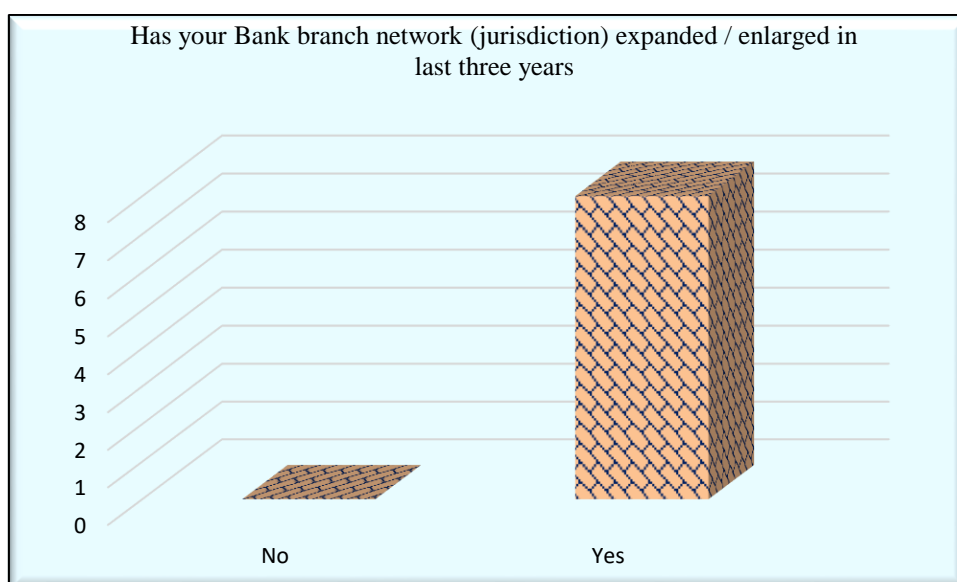
**Figure 4.73: - What other Non - Financial Services do you offer to your customers?**

### Inference

According to the above Table 4.80 represents the other Non - Financial Services offered to their customers

**Table 4.81: - Has your Bank branch network (jurisdiction) expanded/enlarged in the last three years**

Has your Bank branch network (jurisdiction) expanded/enlarged in the last three years	Frequency	%
No	0	0.0
Yes	8	100.0
Total	8	100.0



**Figure 4.74: - Has your Bank branch network (jurisdiction) expanded/enlarged in the last three years**

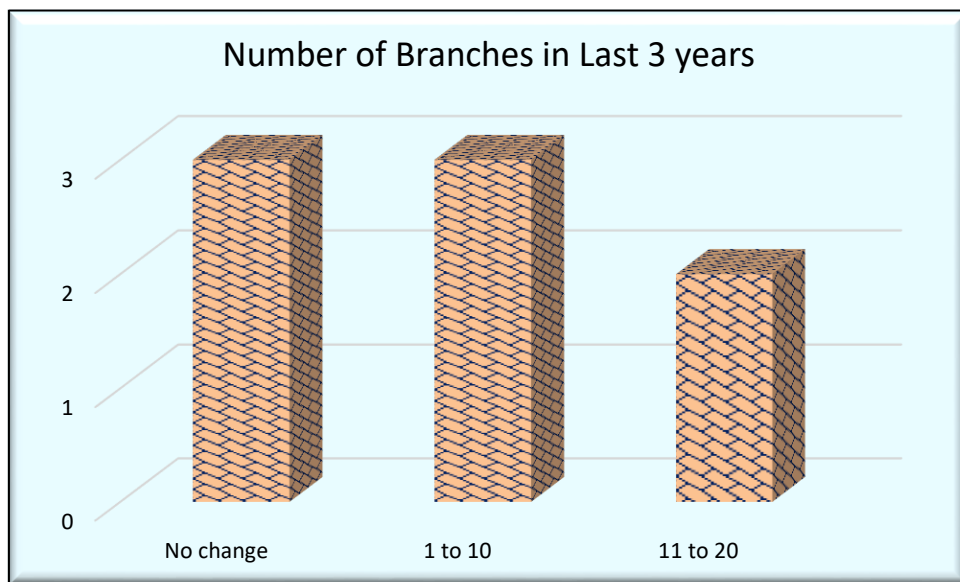
### **Inference**

According to the above Table, 4.81 represents - 0.0% of respondents replied 'No'; 100.0% of respondents replied 'Yes' which means they have increased their bank branch network over the last 3 years.



**Table 4.82: - Number of Branches in 2017, 2018 and 2019**

Number of Branches in Last 3 years	Frequency	%
No change	3	37.5
1 to 10	3	37.5
11 to 20	2	25.0
Total	8	100.0



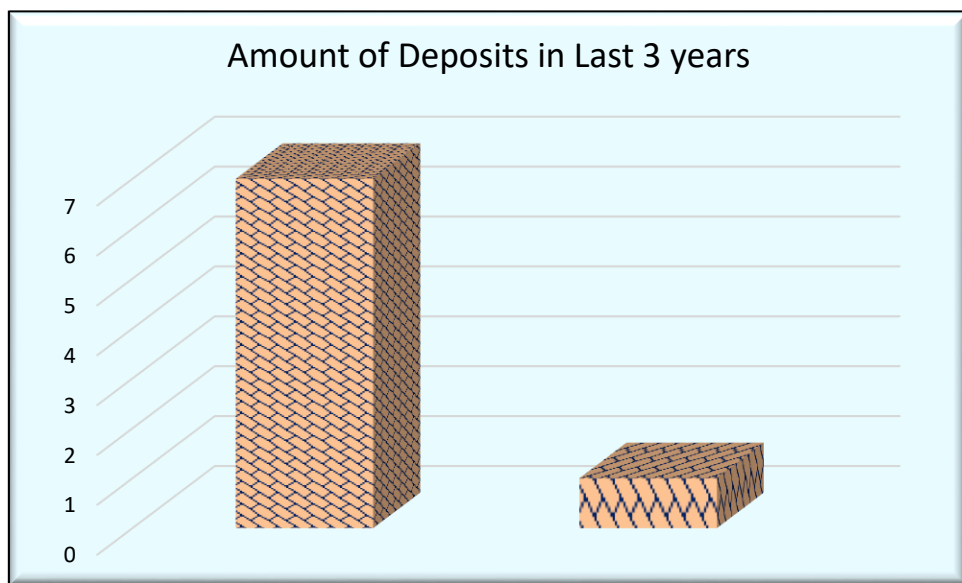
**Figure 4.75: - Number of Branches in 2017, 2018 and 2019**

### **Inference**

According to the above Table, 4.82 represents - 37.5% of respondents replied 'No change'; 37.5% of respondents replied '1 to 10'; 25.0% of respondents replied '11 to 20', which shows that there is an increasing curve of a number of branches by the banks.

**Table 4.83: - Amount of Deposits in 2017, 2018 and 2019**

Amount of Deposits in Last 3 years	Frequency	%
Below 50000	7	87.5
Above 50000	1	12.5
Total	8	100.0



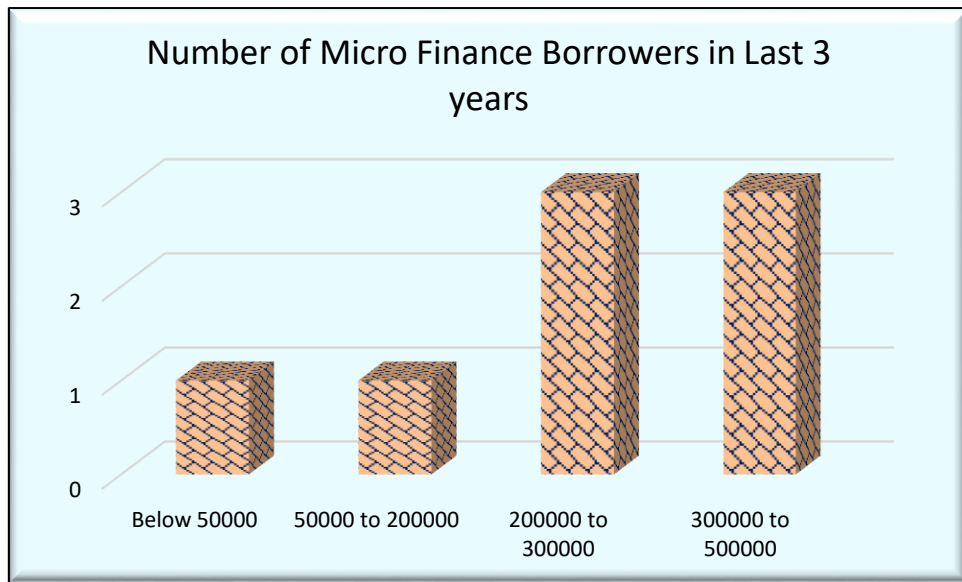
**Figure 4.76: - Amount of Deposits in 2017, 2018 and 2019**

**Inference**

According to the above Table 4.83 represents the number of deposits for the last three years: -87.5% of respondents replied 'Below 50000'; 12.5% of respondents replied 'More than 9000 cores both the years'.

**Table 4.84: - Number of Micro Finance Borrowers in 2017, 2018 and 2019**

Number of Micro Finance Borrowers in the Last 3 years	Frequency	%
Below 50000	1	12.5
50000 to 200000	1	12.5
200000 to 300000	3	37.5
300000 to 500000	3	37.5
Total	8	100.0



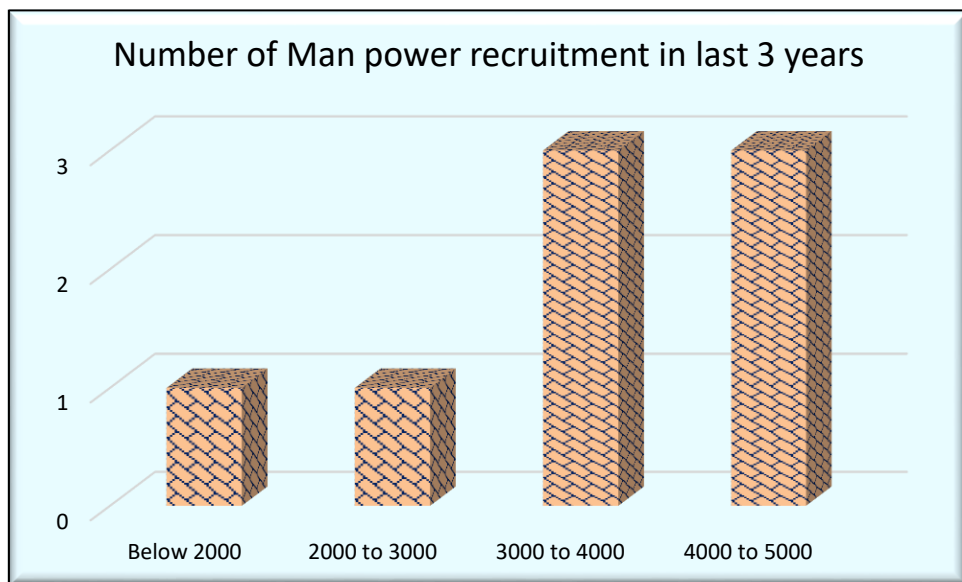
**Figure 4.77: - Number of Micro Finance Borrowers in 2017, 2018 and 2019**

### **Inference**

According to the above Table 4.84 represents the number of MFI borrowers in the last three years: -12.5% of respondents replied 'Below 50000'; 12.5% of respondents replied '50000 to 200000'; 37.5% of respondents replied '200000 to 300000'; 37.5% respondents replied '300000 to 500000'.

**Table 4.85: - Number of Manpower recruitment in 2017, 2018 and 2019**

Number of Manpower recruitment in last 3 years	Frequency	%
Below 2000	1	12.5
2000 to 3000	1	12.5
3000 to 4000	3	37.5
4000 to 5000	3	37.5
Total	8	100.0



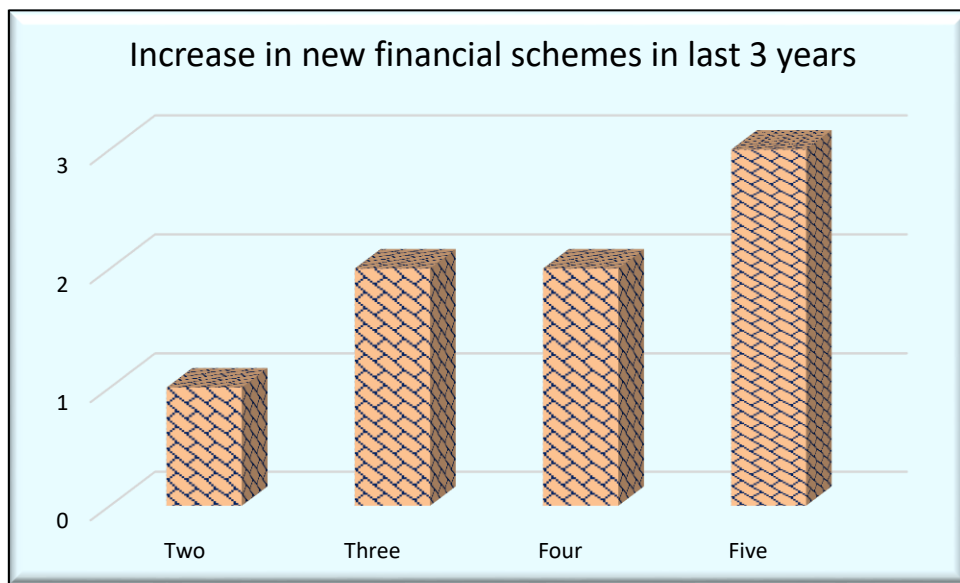
**Figure 4.78 - Number of Manpower recruitment in 2017, 2018 and 2019**

**Inference:**

According to the above Table 4.85 represents the number of Manpower recruitment by the bank for the last three years - 12.5% of respondents replied 'below 2000'; 12.5% of respondents replied '2000 to 3000'; 37.5% of respondents replied '3000 to 4000'; 37.5% respondents replied '4000 to 5000'.

**Table 4.86: - Increase in new financial schemes (number of new schemes in 2017, 2018 and 2019)**

Increase in new financial schemes in last 3 years	Frequency	%
Two	1	12.5
Three	2	25.0
Four	2	25.0
Five	3	37.5
Total	8	100.0



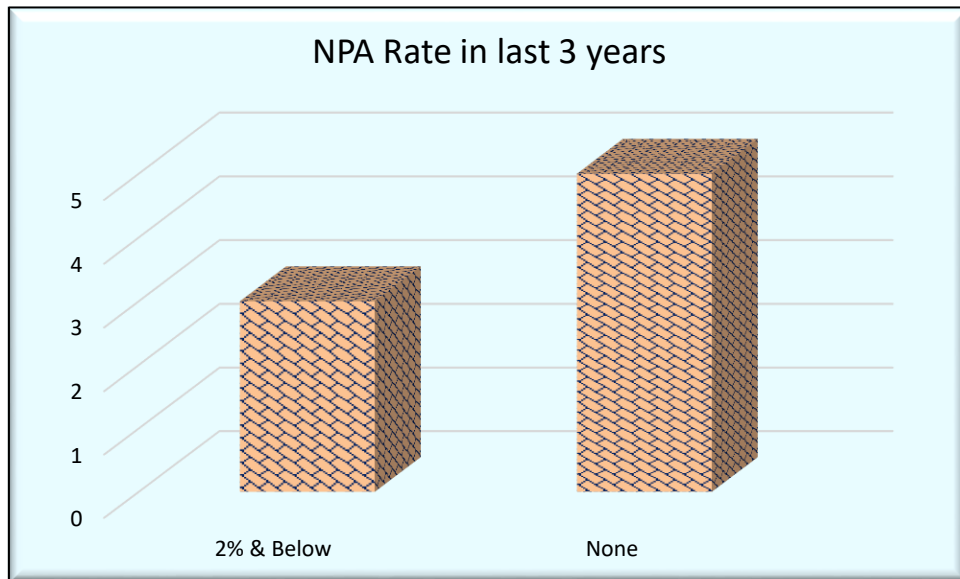
**Figure 4.79: - Increase in new financial schemes (number of new schemes in 2017, 2018 and 2019)**

**Inference:**

According to the above Table 4.86 represents an increase in new financial schemes - 12.5% of respondents replied 'Two'; 25.0% of respondents replied 'Three'; 25.0% of respondents replied 'Four'; 37.5% respondents replied 'Five'.

**Table 4.87: - NPA Rate in 2017, 2018 and 2019**

NPA Rate in last 3 years	Frequency	%
2% and Below	3	37.5
None	5	62.5
Total	8	100.0



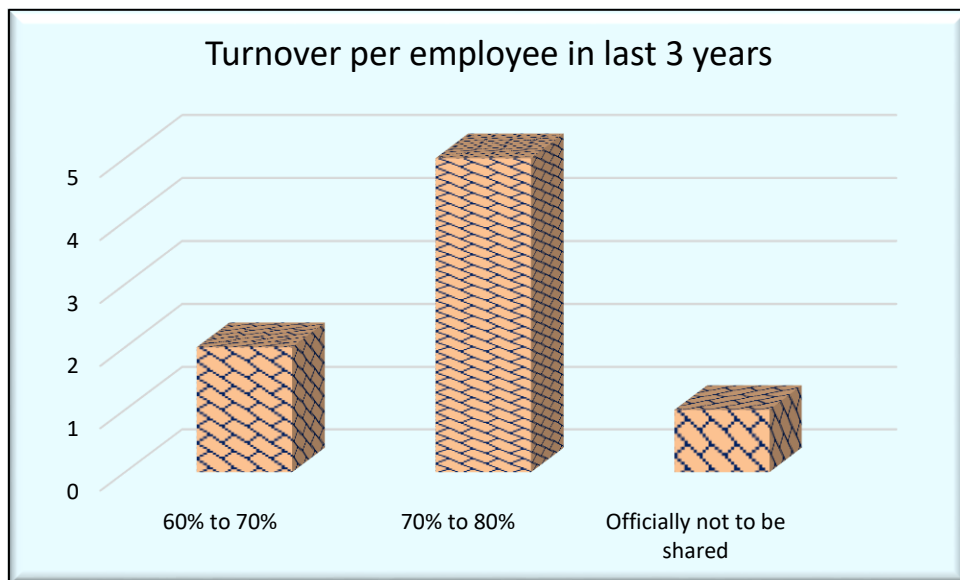
**Figure 4.80: - NPA Rate in 2017, 2018 and 2019**

**Inference:**

According to the above Table 4.87 represents the NPA rate for the last three years - 37.5% of respondents replied '2% and Below'; 62.5% of respondents replied 'None'.

**Table 4.88: - Turnover per employee in 2017, 2018 and 2019**

Turnover per employee in the last 3 years	Frequency	%
60% to 70%	2	25.0
70% to 80%	5	62.5
Officially not to be shared	1	12.5
Total	8	100.0



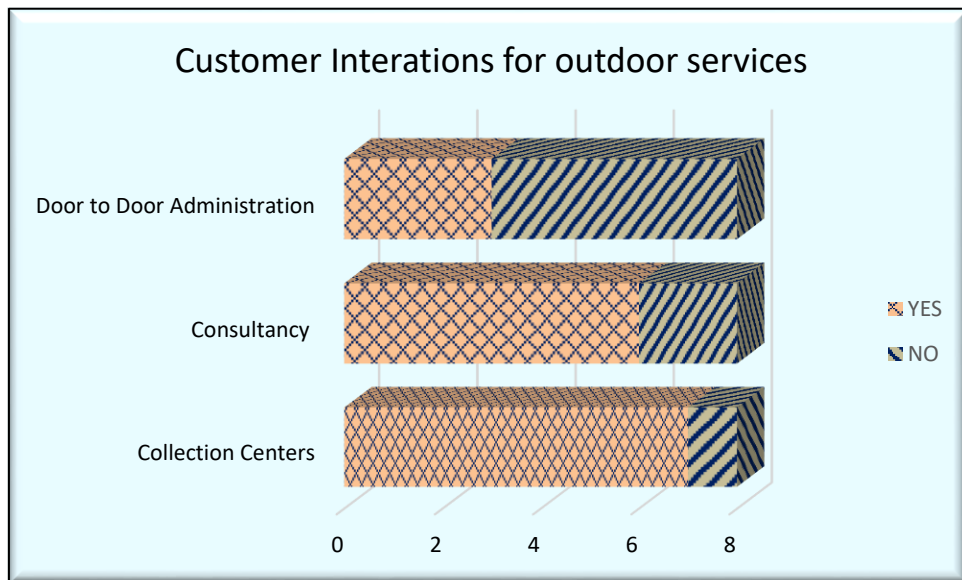
**Figure 4.81: - Turnover per employee in 2017, 2018 and 2019**

**Inference:**

According to the above Table 4.88 represents the turnover per employee from the last three years - 25.0% of respondents replied '60% to 70%'; 62.5% of respondents replied '70% to 80%'; 12.5% of respondents replied 'Officially not to be shared'.

**Table 4.89: - What are your outdoor services to customers?**

Customer Interactions for outdoor services	YES	%	NO	%	Total	%
Collection Centres	7	87.5	1	12.5	8	100.0
Consultancy	6	75.0	2	25.0	8	100.0
Door to Door Administration	3	37.5	5	62.5	8	100.0



**Figure 4.82: - What are your outdoor services to customers?**

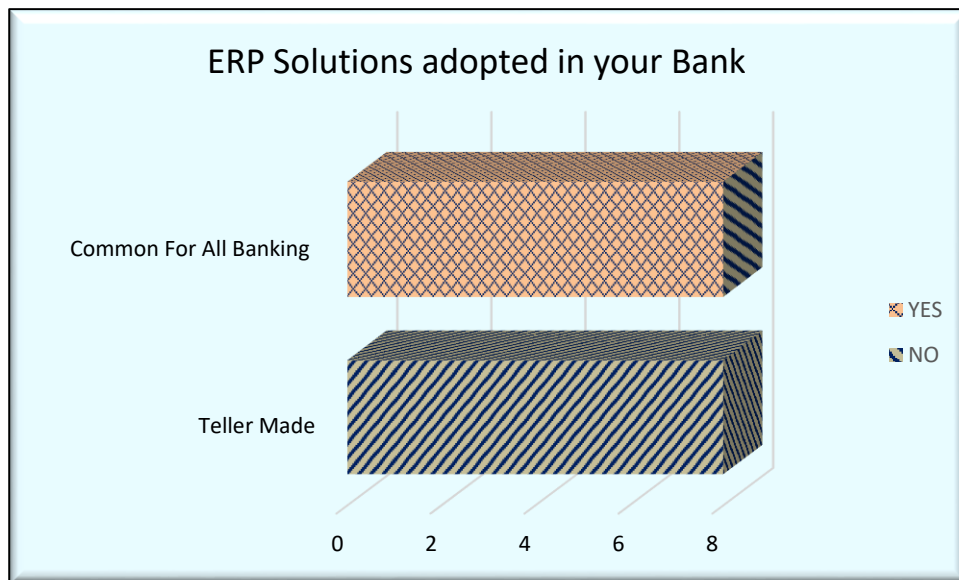
**Inference:**

According to the above Table 4.89 represents the banks providing other outdoor services to customers.



**Table 4.90: - Which ERP Solutions do you adopt in your Bank?**

ERP Solutions adopted in your Bank	YES	%	NO	%	Total	%
Teller Made	0	0.0	8	100.0	8	100.0
Common For All Banking	8	100.0	0	0.0	8	100.0



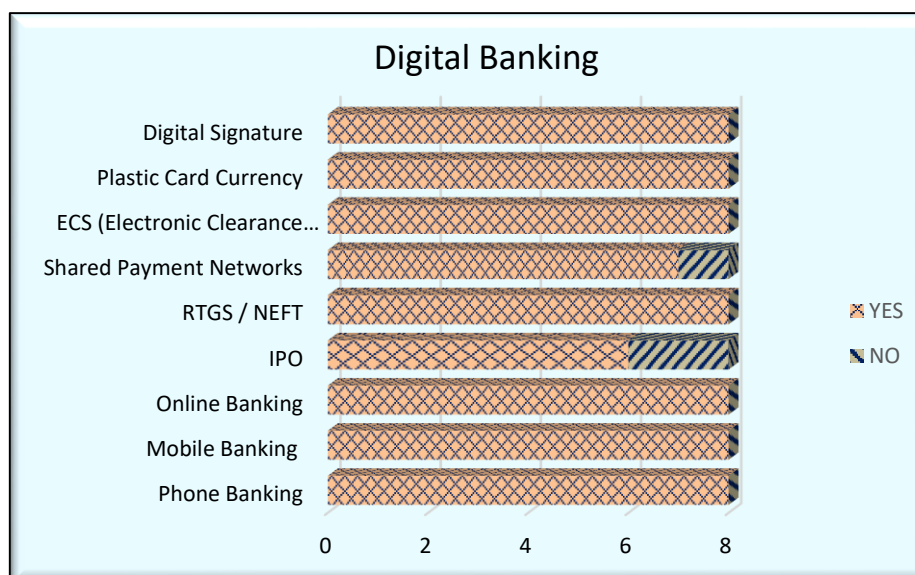
**Figure 4.83 - Which ERP Solutions do you adopt in your Bank?**

**Inference:**

According to the above Table 4.90 represents all the banks adopting ERP solutions.

**Table 4.91: - To what extent do you have Digital Banking?**

Digital Banking	YES	%	NO	%	Total	%
Phone Banking	8	100.0	0	0.0	8	100.0
Mobile Banking	8	100.0	0	0.0	8	100.0
Online Banking	8	100.0	0	0.0	8	100.0
IPO	6	75.0	2	25.0	8	100.0
RTGS / NEFT	8	100.0	0	0.0	8	100.0
Shared Payment Networks	7	87.5	1	12.5	8	100.0
ECS (Electronic Clearance Services)	8	100.0	0	0.0	8	100.0
Plastic Card Currency	8	100.0	0	0.0	8	100.0
Digital Signature	8	100.0	0	0.0	8	100.0



**Figure 4.84: - To what extent do you have Digital Banking?**

**Inference:**

According to above Table 4.91 – all the banks adopt digital services.

## CHAPTER-5

### Findings, Suggestions, and Conclusion

#### 5.1 Introduction: -

The present research work is undertaken to study the formation, roles, and contributions of the Micro Finance Banks in the Pune Metropolis. In the process, the researcher has referred to the standard published material on banking in general, stages of the developments in banking in India concerning standard reference books, research work already published, and the notifications by RBI and the Government from time to time. The questionnaire and interview methods were used by the researcher to obtain primary data. The researcher has framed a questionnaire for obtaining the views and opinions of the small finance borrowers, MFBs spread in different localities of Pune Metropolis. Specific lead questions were framed to probe into the opinions of top brass officials and experts in the field of banking. In this chapter, the researcher has enlisted the main findings of the analysis of Primary Data. Based on this, specific suggestions and conclusions are drawn, and the scope of future study in Micro Finance Banks is also suggested. The researcher has referred to the following Micro Finance Banks operating in the Pune Metropolis. Thus, in short, this chapter gives the specific outcome of this research work.

**Table No. 5.1 List of Micro Finance Banks selected**

Sr. No.	Bank
1	A.U. Small Finance Bank
2	Jana Small Finance Bank
3	Suryoday Small Finance Bank
4	Ujjivan Small Finance Bank
5	ESAF Small Finance Bank
6	Utkarsh Small Finance Bank
7	Equitas Small Finance Bank
8	Fincare Small Finance Bank

**Source: - 5.1 Field investigation**

To further investigate the actual working of the Micro Finance Banks, the researcher felt it essential to gather views of the policymakers of SFBs and the other related bankers from leading co-operative banks in Pune. In this connection, the interview method has been adopted by the researcher by providing specific lead points in advance to the respondents.

## 5.2 Findings of Primary Data Analysis

The researcher has collected views and opinions of the borrowers of Micro Finance Banks operating in Pune. The sample size of 476 respondents spreads in different localities of the Pune Metropolis – Janata Vasahat, Guruwar Peth, Gosawi Wasti, Mina Tai Thakare Vasahat etc. collected and analyzed.

1. Most of the respondents are in the age group of 40-55 years and they have entered into the job after their education it is observed that the age is not a bar for taking a loan from Micro Finance Banks.
2. It is found from the analysis that the proportion of female customers is more than the male customers, As a result, Micro Finance Banks have a greater appeal to female consumers.
3. The majority of the respondents are having an educational background as undergraduates. There is a significant relationship between education and the services of SFB.
4. More number of the respondents is having a monthly income of up to 5,000 per month and it infers that there is a significant relationship between monthly income and services of SFB.
5. The majority of the respondents are having association periods up to 1 to 3 Years which infers that there is a significant relationship between association periods of services of SFB.
6. Financial Objectives (36.97 Mean), Sustainability (26.61), Ease of Doing Business with MFI/SBF (43.92), Satisfaction towards MFI/SBF Operations (38.10), Service Fairness (17.17) the Here all skewness values & all kurtosis values are within the range. Hence the distribution of the variables can be assumed normal.

7. In the case of Hypothesis 1, since the p-value  $< 0.05$ , is the level of significance; there is strong evidence to reject the null hypothesis. There is a correlation between the financial objectives achieved by the respondents and the sustainability of those objectives due to the availability of loans. Hence Hypothesis 1 is accepted.
8. In the case of Hypothesis 2, since the p-value  $< 0.05$ , is the level of significance; there is strong evidence to reject the null hypothesis. There is a difference perceived by the respondents about the Ease of Doing Business with MFI/SBF due to the association period with MFB. Hence Hypothesis 2 is accepted.
9. In the case of Hypothesis 3, after the ANOVA Test p-value  $< 0.05$ , the level of significance; there is strong evidence to reject the null hypothesis. There is a difference perceived by the respondents about Satisfaction with MFI/SBF Operations due to their educational qualifications. Hence Hypothesis 3 is accepted.
10. In the case of Hypothesis 4, after the ANOVA Test p-value  $< 0.05$ , the level of significance; there is strong evidence to reject the null hypothesis. There is a difference perceived by the respondents about Sustainability due to their age group. Hence Hypothesis 4 is accepted.
11. The respondents ranked the different requirements financial needs as daughter or son's marriage is the top most ranked for requirements of the loan.
12. The respondents ranked the different requirements financial needs as House Building is the second most ranked for requirements of the loan.
13. The respondents ranked the different requirements financial needs as repayment of old debts is the third most ranked for requirements of the loan.
14. The respondents ranked the different requirements financial needs as Earnings for becoming self-reliant as the fourth most ranked requirements of the loan.

15. Developing saving habits, Earnings for becoming self-reliant, for business and trade and creating employability for others for illness in business and daily family needs are ranked accordingly by the respondents after calculating the agreement frequency.
16. As per the agreement frequency, the loan requirement has been prioritized as developing saving habits, creating employability to others, house building, repayment of old debts, businesses, illness in the family, earning for the self-reliant, marriage of son or daughter and the last priority is for daily family needs which shows that the various needs are satisfied by the SFBs that identifies mobilization of funds.
17. Service fairness of SFBs is a priority as Bank gives clear guidelines to the customers, Bank guides customers for future developments, customers are treated with courtesy and respect and Bank treats all its customers equally.
18. Whether customer's loan requirements are satisfied by Micro Finance Banks – as per the statistics majority of the respondents are getting loans from MFBs.
19. The first factor is termed a Need for a loan. Livelihood includes – Daily Family Needs (67.65%), Developing Saving habits for myself (99.58%), For creating employability to others (94.75%), Earnings for becoming self-reliant (77.31%), For allied Business / Trade (87.82%), For illness in the family (77.52%), For House Building (92.23%), For Marriage of Daughter / Son (73.74%), Repayment of old debts (89.50%). These variables have high positive loadings implying that the basic needs of the customers are satisfied by the Micro Finance banks by giving loans for the above-mentioned needs.
20. The Service Fairness of the Micro Finance banks are measured by Lesser period for sanction/ approval of loan (96.64%), Assurance for getting loans (98.74%), Easy Documentation (96.64%), Time consuming procedure in other Banks (95.38%), Delay in Disbursement of the loan in other Banks (96.64%), Easy terms and conditions (90.55%).

21. Respondent's opinions about the overall ambience of the Micro Finance Banks Bank's physical facilities are visually appealing (96.64%), Bank has up-to date equipment (91.39%), Bank's employees are polite and alert (96.64%), Employees of the Bank give personal attention to customers (93.07%), Bank supports for my business development (96.64%), Bank provides services promptly (90.34%), Bank keeps its accurate records (91.81%), Bank keeps confidentiality of my records (96.64%), during the financial problems, is bank considerate? (95.59%), Bank's operating hours are convenient (92.23%).
22. Service Fairness of Micro Finance Banks I am treated with courtesy and respect (88.87%), Bank treats all its customers equally (87.82%), Bank gives clear guidelines to the customers (92.23%), Bank guides me in my future developments (91.39%). This proves that the Micro Finance Banks provide good services to their customers.
23. Whether the loan requirements satisfied by Micro Finance Banks? For this 98.73% of respondents' loan requirements are satisfied by MFB which shows that the proper mobilization of funds is there with the microfinance banks.
24. The respondents gave 20.38% for the Daily Family Needs where the requirement of a loan is not there for the daily needs.
25. The respondents take a loan for developing saving habits for themselves or amongst themselves for this the 94.95 % are getting a loan from banks. For this, as per the requirements of the respondent banks can serve them with different kinds of needs.
26. The respondents also receive a loan for creating employability for others i.e. 87.61 % of customers are getting a loan for employability which shows that the economical objective of employability creation is compiled by the microfinance banks.
27. The respondents also receive a loan for Earnings for becoming self-reliant i.e. 96.84 % of respondents get loans for themselves as it is the day-to-day requirement for the respondents and which is fulfilled by the microfinance banks.
28. 94.54 % of respondents have received a loan for allied Business / Trade, which shows that microfinance banks encourage people for business.



29. 55.25 % of respondents got a loan for illness in the family.
30. For House Building purposes 99.79% of respondents are getting loans starting from small needs to purchasing a new house also.
31. For the Marriage of Daughter / Son, the respondents are getting loans i.e. 100% of respondents apply for a loan for marriages.
32. Many times the customers need to pay the old debts which they took earlier from the small local loan providers and they need to repay them so 97.47 % of respondents are taking a loan for this purpose.
33. Daily Family Needs such as food, shelter, clothes, education and health services, etc. are considered the basic needs. For this 67.65% took a loan which shows the mobility of funds by the banks for basic needs too, which includes the loan being provided for the smallest amount as Rs. 2,000 also.
34. 59.66 % of respondents approached other banks and this made it easier to understand the comparison of services between the others banks and the microfinance banks.
35. 61.76 % of respondents received a loan from other banks.
36. For the service fairness, 96.64% of respondents are of opinion that compared to the other bank microfinance banks took a Lesser period for sanction/ approval of the loan.
37. Assurance for getting loans, 98.74% of respondents feel that they got Assurance for loans from microfinance banks.
38. Compared to the other banks it is seen that 96.64% of the micro finance bank's borrowers feel that they are having experience with Easy Documentation for getting a loan.
39. 95.38 % of respondents feel that the micro finance bank customers responded towards these banks are Time consuming procedure compared to other Banks
40. 96.64 % of respondents responded that there is a Delay in the Disbursement of the loan in other Banks compared to microfinance banks.
41. Regarding the Overall ambience of the MFB: Bank's physical facilities are visually appealing – 96.64% of respondents feel that it is appealing.
42. 96.64 % of respondents feel that Bank employees are polite and alert.

43. 93.07% of respondents responded that Employees of Bank gives personal attention to customers
44. 96.64% of respondents said that Bank supports them in their business development
45. 90.34% of Respondents responded that Bank provides services promptly
46. 91.81% of respondents said that Bank keeps accurate records.
47. Apart from the regular services microfinance banks provide services such as guidance for their future developments.
48. 96.64% of respondents responded that the government should encourage microfinance banks to support small businesses.
49. 97.69 % of respondents feel that their social status increased after taking a loan from Micro Finance banks

### **5.3 Important points of discussion with senior officials of Reserve Bank of India, Mumbai.**

- The Reserve Bank of India is the transparent apex body in the banking sector.
- Creating and maintaining confidence in every bank in the nation is the prime consideration of the Reserve Bank of India.
- There is close contact between the department of finance, the finance ministry of the union government, and the Reserve Bank of India.
- Economic Indicators like the agriculture sector, which is hit by natural ups and downs, corporate sector ups and downs reflected in Stock Markets, and labour in organized and unorganized sectors monitored by the central and state governments are some of the points also observed by Reserve Bank of India.
- Hence, since the inspection in 1935 and nationalization in 1949, the Reserve Bank of India has been regulating the entire banking sector in India.
- The commercial banks getting nationalized, additional commercial banks added to it, have been executing many economic policies of the government from time to time like 20 point program, Garibi Hatao Yojana till the recent policies like Make In India, Jana Dhana Yojana are initiated by the Government which is religiously implemented through the banking system in India.
- Besides the nationalization of banks in 1969 and 1980 and the establishment of specialized banks like NABARD and EXIM bank, since 1992, the banking sector reforms have been adopted. Several private banks, like ICICI Bank, IDBI Bank, etc., were given banking licenses to adopt professionalism in banking services.
- The idea of establishing Self Help Groups, particularly in the rural and semi-urban areas, came into the limelight in the last decade of the 20th Century.
- Self Help Groups promoting to cater to the financial needs were studied by the Reserve Bank of India Committees and teams.
- Yet the next dimension of development in the banking sector came as a turning point in the form of Micro Finance Banks. Thus, the era of Micro Finance Banks was opened in the second decade of the 21st Century.

- Reserve Bank of India Governor Dr. Raghuram Rajan has done a lot of spadework about the Micro Finance Banks in India. His Research work in Banking and publication—“A Hundred Small Steps” in banking are the landmarks for the promotion of Micro Finance Banks in India.
- Despite the applications from big giants of industries like TATAs and Birlas, for getting a license for small finance banking, they were denied by the Reserve bank of India.
- Today the Reserve Bank of India has created a separate window for SFBs. Even during a Covid Period, the RBI is keeping a close watch on the performance of these SFBs.
- Reserve Bank of India is extending hand-holding policy toward SFBs. They are slowly getting stable and will be following BASEL II norms.
- After the 5 years of a successful run of SFBs, they are expected to become stable and with their further growth above 500 crores of deposits, they are expected to launch their public issues and become a Universal Bank.
- Some such SFBs are now launching their IPOs, yet some others are in the pipeline.
- Compliance regulations of the Reserve Bank of India are at Par with other commercial banks, strict and transparent. Reserve Bank of India would want these SFBs to play an important role in banking, especially in the unbanked areas, and they should get converted into universal banking over some time.
- There are some more applicants for establishing SFBs that are in the pipeline before the Reserve Bank of India gets licenses as SFBs.
- Today, there are two methods for applying for SFB. One is a Cooperative bank getting converted into SFB, and two ONTAP guidelines by RBI are to be followed for the banking license as SFB.
- Today, there is protection for the investors under the DICGC Cover, even for the SFBs. Their investors, like any other universal bank, are secured up to Rs. 5,00,000 for their deposits. This helps for further deposit mobilization.

### 5.3.1 Discussion with senior officials of leading co-operative banks in Pune

In the process of primary data collection, the researcher found it fit to gather impressions about SFBs in Pune from experts even in the cooperative banking sector. Two leading multi-state cooperative banks have their head office in Pune and standing for over several years in banking.

Following are the impressions gathered from their office bearers:-

- The origin of the new banking era of Micro Finance Banks is with the banking conclave named “**Dnyan-Sangam**”.
- Having heard the present status of the nationalized banks (their Deposits, advances, NPA, Administrative Overhead) the Prime Minister understood the urge to bring the unbanked sector into the mainstream of banking.
- Nationalized banks, though they have spread the wings of banking on a mass scale, have been facing inbuilt disadvantages.
- Given expanding the banking network, new terms like **Business Correspondent** and **Business Facilitator** were coined by RBI to cover the unbanked areas under the preview of banks.
- Even the down-trodden people (Below Poverty Line) were to be liberated from the private money lenders. With this entire backdrop, the “Raghuram Rajan Committee” of the Reserve Bank of India recommended strongly establishing Micro Finance Banks.

### **Strong points of SFBs –**

- The concept of Self Help Groups is further extended with joint borrowers by SFBs so that their NPA is almost nil.
- They have a small setup with low overhead operational costs.
- Small investments with FINTECH Model are developed by SFBs.
- The service Cost of SFBs is low because of their outsourcing of banking services.
- Other Risks in SFBs are mitigated with outsourcing of banking services.
- In SFBs, Fast Decision making and disbursement of funds are possible.
- In SFBs, up-to-date information about customers is gathered through personal contacts.
- Due diligence practices are set up by SFBs.
- In short, serving the bottom of the pyramid is made possible by SFBs.

### **Organizational Benefits:**

- Co-operating banking today has dual control by the co-operative department as well as the state government.
- No Subsidiary Organizations are allowed for co-operatives banks.
- Servicing cost is high for the co-operatives banks.
- The cost of funds is low for SFBs to compete with co-operatives banks.
- With few bad experiences and damages, the tightening policy of co-operatives of weekly reporting is further made complicated with everyday reporting, onsite and offsite audits by Reserve Bank of India, Public Accounting through AGM, etc.

#### **5.4 Another multi-state cooperative bank that originated from Pune City was also visited by the Researcher.**

Following are the observations noted in the course of the discussion:

- SFBs are in their infant stage, as they were granted banking licenses recently after 2014.
- SFBs are not at all in competition with cooperative banks, as the very clientele of cooperative banks is different and giant than SFBs.
- Our big / high-value borrowers may be partially also their customers, which is not brought to the surface to them. Hence, they are likely to turn in the red zone for the SFBs. It may be alarming for SFBs to turn into high NPA.
- SFBs are also techno-savvy, having lower operational costs and other overheads due to their low establishment costs.
- SFBs will have to search for rural markets more, as they are licensed for making advances to poor and needy people.
- So far as Pune is a concern, we doubt whether there is an unbanked area. Even the residents of so-called slums/BPL areas are aware of self-help groups (SHG) / Credit Pat-Pedi, and hence they are in the mainstream of banking with good banking habits. Even many of the Government Schemes / Subsidies have already reached such areas; hence there is no need for further scope for SFBs in Pune.
- Because of the irregularities/mismanagement of funds in some of the cooperative banks: though very few in numbers, there are stringent rules and compliances made essential by the Reserve Bank of India for all the cooperative banks. It is becoming difficult for cooperative banks to maintain the cooperative spirit in such a commercial banking atmosphere.
- Cooperatives have our training centres to cater to the needs of all the levels of our staff which is not affordable for a single small finance bank.
- Cooperatives have stood to the test of time over the last several decades, and the confidence of their shareholders, as well as investors, is unshakable.
- SFBs will need a long road to travel as yet, to establish themselves and gather goodwill in the banking sector in general.

### **5.5 Opinions of Policymakers on Cooperative Banks:**

The researcher has also noted the views and opinions of the present state minister (Designate) on the present status of cooperative banks.

- There is a long history and tradition of the cooperative movement of India in Maharashtra state.
- Mr. Vaikunthbhai Mehta and Dr. Dhananjay rao Gadgil are treated as doyens of the cooperative movement of Maharashtra.
- Today, we see that the majority of rural Maharashtra is developed out of the Cooperative movement only. Cooperative Sugar factories, Cooperative cotton and spinning ginning mills, Cooperative Banks, Cooperative Marketing federations, and Credit cooperatives are some of its classic examples.
- However, it is seen that cooperative laws in Maharashtra have expressed only the administrative discipline for cooperative organizations, but the financial discipline is yet lacking in some cooperatives, as not being expressed by the cooperative laws.
- The cooperative sector should become participative, whereas management in the corporate sector is more confined to a handful number of persons only.
- All members are equal in a cooperative organization. Hence, to make membership affordable to the common people, the value of the shares of cooperative organizations is kept to a minimum. However, because of this only, the capital base of cooperatives is generally low and it becomes a hurdle for development.
- Moreover, shares of cooperative organizations are not listed on a stock exchange, unlike private sector organizations. Also, there is a limit on a dividend of 15% to be paid to the shareholders of cooperative organizations.
- In the case of cooperative banks, there is a dual control – by RBI and by the Cooperative Department of the State Government.



In short, cooperative banks have to become attractive to their members and also competitive in the markets. If these factors are not given priority in a cooperative organization, the whole of the Cooperative Sector will get a setback. The other sectors, particularly the Micro Finance Banks, will go ahead in the economic development of the State.

## **5.6 Suggestions**

In anticipation of the conclusions made above and the summary of findings detailed in this chapter, concrete suggestions have been offered in this section. The suggestions are intended to provide solutions to MFBs about the Micro Finance Banks to rank and choose the bank wisely.

- Small Finance Bank must provide great customer service to attract and retain clients reasonably.
- As modern technology advances and customer purchasing habits shift, banks and credit unions must constantly look for areas of innovation and ways to meet the demands of a twenty-first-century customer. Banks should adopt some innovative things to attract younger customers and provide advertisements through social media.
- Today's consumers are becoming increasingly self-assured. Banks have been conditioned by digital services such as Netflix, Amazon, and Google to find what they want, whenever they need it - to the point that we pay for and expect it.

### **Model Developed by the Researcher:**

As a specific outcome of this research, the researcher has developed two models of financial analysis to evaluate the performance for ranking and choosing the small finance bank by the MFBs

Following are the details:

From the published data on the banking sector in India, the All India Bank Employees Association, Mumbai, has compiled a lot of statistics. It shows the comparative picture of the performance of the Public Sector Banks and the Private Sector Banks. Though the Public Sector Banks have made yeoman's contribution to banking, over the last five decades, there are many challenges also that they are facing now.

Non-performing assets (NPA), Willful default made by some of the corporate, and Neglect of Core and Priority Sector lending by public sector banks have led to slowly handing over the primary portfolios of Banking to NBFCs and MFIs and now, in modern times, to the Micro Finance Banks (SFBs) also.

Following are some of the important financial ratios, suggesting the outcome of the performance of Public sector Banks with the Private Sector Banks:

**Table No. 5.2 Performance of Nationalized banks over Private Sector Banks**

Sr. No	Items	Public Sector Banks			Private Sector Banks		
		2019	2020	2021	2019	2020	2021
1	Deposits	55748 29	5806799	6219487	2915036	3281360	3870504
2	Market Share of Deposits (In percentage)	63.98	62.64	61.39	82.28	83.35	84.70
3	Advances	37067 90	3832822	3899261	2683948	2985962	3301585
	Market Share of Advances (In percentage)	61.38	60.95	60.20	84.39	85.43	89.61
4	Total Business	92816 20	9639621	1011874 8	5598984	6267322	7172089
	Market Share of total business (In percentage)	62.91	61.96	60.92	84.93	84.33	85.57
5	CASA Ratio Share (In percentage)	34.90	31.63	39.83	43.55	42.69	45.73
6	Gross NPA (In percentage)	13.86	12.62	11.59	3.79	4.20	3.90
7	Net NPA	21104 0	151353	159642	36747	52206	49045
	Net Advances	35559 554	3278729	3898642	2755253	3388725	3575972

8	Interest Income	41569 6	458880	441943	314769	364755	371454
9	Operating Profits	94167	105463	125822	111922	132736	159247
10	Provisions	16163 7	145966	114415	69986	110892	95444
11	Overall Net Profit/Loss	- 67470	-40503	11407	39337	30260	63230
12	Investments	16933 98	1893682	1890226	972152	1045537	1248228
13	Capital	46603	71148	58435	11153	13798	17420
14	Reserves and Surplus	31426 6	310569	391151	442029	515479	635777
15	Share of Number of branches (In percentage)	75.82	72.78	74.43	24.18	27.22	25.57

**Source: All India Bank Employees Association (AIBEA) Banking Statistics 2017-2021**

**Note:-**

- Data refers to the cumulative performance of all nationalized banks except SBI and IDBI banks.
- Data refers to the cumulative performance of all new private sector banks only. (New private sector banks are:- Axis Bank Ltd, DCB Bank Ltd, HDFC Bank Ltd, ICICI Bank Ltd, Indusind Bank Ltd, Kotak Mahindra Bank Ltd, Yes Bank, Bandhan Bank, and IDFC First Bank Ltd. The figures are in Crores.

**1. Deposit:**

The consolidated results of the entire Public Sector Banks show steadiness in deposits collected over the last three years from 55 lakh crores to 62 lakh crores.

Whereas the deposits collected by the private sector Banks have gone up from 29 lakh crores to 38 lakh crores.

**2. The Market Share of Public Deposits:**

The Market share in Public Sector Banks is reducing and whereas, the Market Share of deposits of the Private Sector Banks is increasing.

**3. Market share of Advances:**

The market share of advances of the Public Sector Banks is somewhat constant over the last three years.

However, the Market Share of Advances of Private Sector Banks is increasing over the last three years.

**4. Total Business:**

The Market Share of Total Business of Public Sector Banks is overall 60%.

Market share of Total Business of Private Sector Banks, particularly the new Private Banks, is increasing.

**5. CASA Ratio Share:**

In the case of the Public Sector Banks, the CASA Ratio is constant over the last 3 years.

On the other hand, the CASA ratio in Private Sector Bank is increasing over the last 3 years.

**6. Gross NPA**

The Gross NPA% in Public Sector Banks is double-digit, constantly over the last three years.

The Gross NPA % in Private Sector Banks is a single digit, constant over the last three years.

**7. Net NPA over Net Advances:**

It is high in Public Sector Banks. Net NPA over Net Advances is low in Private Sector Banks.

**8. Interest income:**

The interest income of Public Sector Banks over three years is almost constant, and the other income is about one-fifth of the total income.

The Interest income of Private Sector Banks over three years is rising along with the other income. The other income of Private Banks is double the interest income.

**9. Operating Profits:**

Operating Profits of Public Sector Banks have increased, but the Operating Profits of Private Sector Banks have become almost one and half times. Operating Profits over all of the Private Sector Banks is catching up with the Public Sector Banks just in the last two decades.

**10. Provision:**

Provisions of Public Sector Banks have reduced, but the Provision of Private Sector Banks has increased almost - one and half times.

**11. Overall Net Profit or Loss :**

Overall Net Profit or Loss of Public Sector Banks was negative; On the other hand, during the previous three years, the net profit of private sector banks has increased.

**12. Investments:**

Investments in Private Sector Banks have been increasing almost one and half times.

**13. Capital:**

The capital of Public Sector Banks is reduced over the last 3 years; whereas the Capital of Private Sector Banks is increasing to almost doubled over the last three years.

**14. Reserves and Surplus:**

Reserves and Surplus of the Public Sector Banks have increased, but the Reserves and Surplus of Private Sector Banks have increased to one-half time.

**15. Several branches:**

The share of the number of branches of the Public Sector Banks is reducing as compared with the Private Sector Banks' branches.



### **The model I: - For Financial Literates: -**

The field of finance is becoming complex year by year; besides the legal provisions and the supervision of the reserve bank of India at the apex, there is a constant need to protect the financial interests of the citizens of the nation. Today, a lot of financial data is available in the public domain for financial analysis. The researcher has compiled such financial data related to public sector banks and private sector banks for drawing meaningful conclusions about financial stability and protection of interest of their customers. Citizens as financial literates can make a review of the financial results of any small finance bank alongside the model of comparison made by the researcher to draw specific conclusions like the trend of deposits, reserves, surplus, market share, etc.

## Model II: - For Financial Illiterates

Following are the Specific points for the new investors of unbanked areas and for the unaware segment of the population for choosing any SFB as his/her financial institution.

- Are the words “Small Finance Bank” included in the bank name?
- Is the bank name listed among the RBI-approved SFBs?

**Table 5.3 List of Small Finance Bank**

1	Au Small Finance Bank Ltd.
2	Capital Small Finance Bank Ltd
3	Fincare Small Finance Bank Ltd.
4	Equitas Small Finance Bank Ltd
5	ESAF Small Finance Bank Ltd.
6	Suryoday Small Finance Bank Ltd.
7	Ujjivan Small Finance Bank Ltd.
8	Utkarsh Small Finance Bank Ltd.
9	North East Small Finance Bank Ltd
10	Jana Small Finance Bank Ltd
11	Shivalik Small Finance Bank Ltd
12	Unity Small Finance Bank Ltd

Source: - <https://rbi.org.in/scripts/Banklinks.aspx>

- Is your bank incensed for banking business by RBI?
- Is your bank investment covered under DICGC Protection?
- Is your bank giving regular services like bank extracts (Passbook), prompt payments etc.?
- Is your bank having sufficient staff and infrastructural facilities?
- As per the objectives of Micro Finance Banks, is your bank providing small loans to the needy?

## 5.7 Conclusion

This study focuses on the formation, goals, and operations of microfinance institutions in Pune City. Secondary data collected from a variety of sources, including standard published reference books, previously published study work, and websites are complemented with original data collected by the researcher.

The researcher arrives at the following conclusion:

The primary goal of Micro Finance Banks is to increase access to financial services in rural and semi-urban regions. These banks can perform almost everything a regular commercial bank can do but on a much smaller scale. Tiny Finance Bank's principal goal is to provide basic banking services such as collecting deposits and lending loans to underserved consumers such as small business units, small and marginal farmers, micro and small businesses, and even unorganized sectors. While both payments banks and Micro Finance Banks have some overlap in aim, most notably in extending access to financial services, there are significant variances. The main distinction is that a payments bank has a deposit limit of one lakh per account.

The study looked at the impact of capital structure on the financial performance of microfinance banks in Pune. According to the panel regression results, there is a positive association between capital structure and profitability of Micro Finance Banks. According to the findings of this study, capital structure has a substantial influence on the financial performance of Micro Finance Banks. As a result, the researcher suggested that Small Finance Banks should utilize an optimal mix of equity and debt when developing their capital structure and financial operations since it has a significant impact on profitability. This indicates that the board of directors must consider this impact when making choices on financing or capital structure.

Though the banking industry has travelled a long over the last several decades in India and has experienced several changes like the nationalization of banks, in addition to the nationalized banks, specialized banks like NABARD and EXIM, the introduction of

private sector banking in 1992, and the era of Micro Finance Banks opened up in the last decade. Despite many banking institutions in the nation, there are unbanked areas and specific lower segments of the population unaware of banking. Hence the researcher felt it essential to study in-depth, the Micro Finance Banks and their contribution.

Though the origin of Micro Finance Banks is of a decade ago, many Micro Finance Banks have been successful in establishing in the state of Maharashtra in general and in the Pune Metropolis area in particular. They have been spreading their wings to cater to the needs of such unbanked areas and unaware segments of the population. Moreover, besides banking products, other financial products like insurance, mutual fund, and other modes of saving are also being undertaken by such SFBs.

The researcher has obtained the views and opinions of experts of policymakers from RBI, top brass executives of the leading banks, and experts in the field of banking. The researcher has suggested a specific model of comparison of banking appreciate the status of any small finance bank on the parameters identified for this purpose. The researcher has also suggested specific points to the new investors of unbanked areas and for the unaware segment of the population for choosing any SFB as his/her financial institution.

Thus, in short, the present research is a running review of banking in India, an in-depth study of small finance banking in India, and the role of SFBs in Pune city.

## **5.8 Scope of further study**

The present research conducted by the researcher is focusing on the Micro Finance Banks with a banking license operating in the Pune Metropolis. The researcher has made extensive references to understand the role and effectiveness of the Micro Finance Banks which have come up in the last decade. In the future, a comparative study of public sector banks with private sector banks can be conducted with specific reference to the period of decades of working of the banks in India. Further based on the customer opinions about the services of a particular private bank may also be conducted in future. The present research is restricted to the Pune Metropolis as one of the upcoming areas on the industrial and business map of India. However, a similar study could also be taken up concerning the other important pocket of business located in different other parts of the nation. Lastly, the present research is focused on the period of the last decade; however, other research projects may be taken up for different periods in different other conditions. A similar study can be undertaken about Micro Finance Banks with their other products like Insurance, Mutual Funds etc.

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## Questionnaire

**Title: “A study of Mobilization of Funds by Private Micro Finance Institutes (MFI)  
in Pune city”**

### Part 1: General Information

Gender:

- Male
- Female

Age Group:

- 18 to 25
- 25 to 40
- 40 to 55
- 55 and above

Qualification:

- Illiterate
- Up to SSC
- SSC
- Graduate

Monthly Income:

- Less Than 5000
- 5000 - 10000
- 10 000 -15000
- 15000 and above

How long have you been associated with Micro Finance Banks?

- Less than one year
- 1 – 3 Years
- More than 3 Years

**Part 2:**

3 identified factors influence the respondents as per the services they received from the banks during various periods such as 1) Pre loans Transactions 2) During Loan Transactions and 3) After repayment. The factors are rated on 5 point liker scale. Where 1 means that you strongly disagree and rating 5 means that you strongly agree with the statement. Your sincere response can help in evaluating these factors empirically.

Sr. No	Question	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
1.	Whether your loan requirements are satisfied by Micro Finance Banks:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
What are your different financial needs? (What Objectives the Micro Finance Banks can help you Achieve)- <b>Financial Objectives</b>						
2.	Livelihood includes – Daily Family Needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	To develop Saving habits for myself	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	For creating employability for others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Earnings for becoming self-reliant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	For allied Business / Trade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7.	For illness in the family	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	For House Building	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	For Marriage of Daughter / Son	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	Repayment of old debts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Whether you have Received a Loan for these Needs (The loans received by you for your various needs are sufficient enough?) - <b>Sustainability</b>						
11.	Livelihood includes – Daily Family Needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	To develop Saving habits for myself	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.	For creating employability for others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	Earnings for becoming self-reliant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15.	For allied Business / Trade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.	For illness in the family	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.	For House Building	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18.	For Marriage of Daughter / Son	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



19.	Repayment of old debts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20.	Whether you have approached other banks?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21.	Whether you got a loan from other banks?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Service Fairness of Micro Finance Banks (Ease of Doing Business with MFI/SBF)</b>						
22.	Lesser period for sanction/ approval of the loan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23.	Assurance for getting loans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24.	Easy Documentation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25.	Time-consuming procedure in other Banks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26.	Delay in Disbursement of the loan in other Banks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27.	Easy terms and conditions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Your opinion about the overall ambience of the Micro Finance Banks (Satisfaction towards MFI/SBF Operations)</b>						
28.	Bank's physical facilities are visually appealing.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29.	Bank has up--to date types of equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

30.	Bank employees are polite and alert	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31.	Employees of banks give personal attention to customers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32.	Bank supports my business development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33.	Bank provides services promptly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
34.	Bank keeps its accurate records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
35.	Bank keeps the confidentiality of my records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
36.	When you have financial problems, is the bank considerate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
37.	Bank's operating hours are convenient	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Service Fairness of Micro Finance Banks (Service fairness is defined as a customer's perception of the degree of justice in a service firm's behaviour <b>Service Fairness</b> )					
38.	I am treated with courtesy and respect.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
39	Bank treats all its customers					

	equally.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
40.	Bank gives clear guidelines to the customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
41.	Bank guides me in my future developments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42.	The government should encourage microfinance banks to support small businesses?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
43.	Do you feel your financial and social status has increased after taking a loan from Micro Finance Banks?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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